Mullen Group
INCOME FUND

2008 ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis,

Consolidated Financial Statements

and

Notes to Consolidated Financial Statements

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HIGHLIGHTS

- Record revenues - $1.3 billion
- Record operating income - $273.3 million
- Distributions paid to securityholders - $144.8 million
- Net income was significantly impacted by a decline in the CDN. dollar compared to the U.S. dollar resulting in a $49.3 million unrealized foreign exchange loss which negatively impacted net income and increased long-term debt
- Completed the acquisition of the transport division of Essential Energy Services Trust
- As at December 31, 2008:
    - Net debt - $365.6 million
    - Debt-to-equity 0.47:1
    - Available credit facilities - $85.8 million

OPERATING BUSINESS UNITS

Trucking/Logistics segment:

Cascade Carriers L.P.
Kleysen Group L.P.
Mullen Trucking L.P.
Payne Transportation L.P.
Grimshaw Trucking L.P.
Mill Creek Motor Freight L.P.
Tenold Transportation Limited Partnership

Oilfield Services segment:

Drilling Services
OK Drilling Services L.P.
TREO Drilling Services L.P.

Drilling Related Services
Formula Powell L.P.
FSJ L.A.N.D. Transport L.P.
Mullen Oilfield Services L.P.
Pe Ben Oilfield Services L.P.
Swanberg Bros. Trucking L.P.
Withers L.P.

Production Services
Brady Oilfield Services L.P.
Cascade Energy Services L.P.[2]
E-Can Oilfield Services L.P.
Heavy Crude Hauling L.P.
Pro North Oilfield Services[1]
R.E. Line Trucking (Coleville) Ltd. [2]
Spearing Service L.P.

Specialized Services
Burnell Contractors L.P.
Canadian Dewatering L.P.
Premay Equipment L.P.
Premay Pipeline Hauling L.P.

[1] Acquired in 2007
[2] Acquired in 2008

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MULLEN GROUP INCOME FUND

2008 ANNUAL FINANCIAL REPORT

FORWARD-LOOKING INFORMATION STATEMENT

This Management Discussion and Analysis ("MD&A"), dated February 25, 2009, reflects managements expectations regarding the Mullen Group Income Fund's ("Mullen" or the "Fund") future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "objective", "will", "should", "believe", "plans", "intends", and similar expression are intended to identify forward-looking information or statements. More particularly and without limitation, this MD&A contains forward-looking statements and information including:

- the Fund's intent to use cash generated from operating activities to fund 2009 capital expenditures and distributions referred to under the Capital Resources and Liquidity section on page 25;
- the approval of a $25.0 million capital expenditure budget for 2009 referred to under the Capital Resources and Liquidity section on page 25;
- the amount of maintenance capital expenditure requirements in any one given fiscal period referred to under the Capital Resources and Liquidity section on page 25;
- the Fund's intention to convert from an income trust to a corporation in 2009, to reduce its monthly distribution to $0.075 per unit per month for the months of January, February, and March 2009 and to then end distributions as an income trust referred to under the Capital Resources and Liquidity section on page 25, under the Cash Distributions section on page 28, and under the Proposed Transaction section of page 42;
- the renewal of the extendible 364-day term facility scheduled for June 2009 or earlier in conjunction with the Conversion (as hereafter defined on page 42) referred to under the Capital Resources and Liquidity section on page 25;
- our expectation in 2009 for tight credit markets, slowing economy and low commodity prices to negatively impact the markets in which we operate in and the customers we serve referred to under the Outlook section on page 56;
- the belief that the structure of our balance sheet positions the Fund to withstand the expected slowdown referred to under the Outlook section on page 56; and
- the belief that the steps we have implemented including the cuts to distributions, the corporate restructure, the wage and hiring freeze and the suspension of the employee and executive profit share plan for 2009, will keep the Fund profitable referred to under the Outlook section on page 56.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, Mullen has made the following assumptions:

- the intention to use cash generated from operating activities to fund 2009 capital expenditures and distributions was based on Mullen's belief that cash from operating activities in 2009 will exceed the approved capital budget of $25.0 million and the anticipated 2009 distributions of approximately $18.1 million;

- the Board of Directors (the "Board") approved a $25.0 million capital expenditure budget for 2009 which Mullen assumes is sufficient to meet customer demand as well as provide adequate maintenance capital expenditures to sustain ongoing operations;

- the anticipated completion of the proposed Conversion and the anticipated timing for completion of the Conversion. Mullen has provided these anticipated times in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary court, regulatory and other third party approvals and the time necessary to satisfy the conditions to the closing of the Conversion;

- expectations and assumptions concerning general economic conditions, including commodity prices and exchange rates; and

- the Fund assumes it will renew, upon acceptable terms, the extendible 364-day term facility.

Although Mullen believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Mullen can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals; and changes in legislation, including but not limited to tax laws and environmental regulations. There are risks also inherent in the nature of the proposed Conversion, including failure to obtain the required securityholder, court, regulatory and other third party approvals. This MD&A also contains forward-looking statements and information concerning the anticipated completion of the proposed Conversion and the anticipated timing for completion of the Conversion. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary court, regulatory or other third party approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Conversion. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this MD&A concerning these times.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen or are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this MD&A are made as of the date hereof and Mullen undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. The Fund relies on litigation protection for "forward-looking" statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

General

This MD&A for the fiscal year ended December 31, 2008 should be read in conjunction with the annual audited consolidated financial statements of the Fund for the fiscal year ended December 31, 2008 (the "2008 Annuals"). All amounts are in Canadian funds. Additional information on the Fund, including the Fund's Annual Information Form dated February 25, 2009 is available on SEDAR at www.sedar.com and on the Fund's website at www.mullen-group.com or on request free of charge from the Fund's Investor Services group, ir@mullen-group.com.

Corporate Profile

The Fund is an open-ended income fund that owns a network of independently operated businesses. Mullen is recognized as the largest provider of specialized transportation and related services to the oil and natural gas industry in western Canada and is one of the leading suppliers of trucking and logistics services in Canada – two sectors of the economy in which Mullen has strong business relationships and industry leadership. The Fund was formed on June 3, 2005 and commenced operations on July 1, 2005 as a result of the completion of a plan of arrangement (the "Plan") completed on July 1, 2005 under the Business Corporations Act (Alberta) involving, among others, the Fund, Mullen Transportation Inc. ("Mullen Transportation"), Mullen Holding Trust ("MHT"), Mullen Group Inc. ("MGI" or the "Administrator"), and Mullen Acquisition Corp., pursuant to which, among other things, the Fund indirectly acquired all the issued and outstanding common shares of Mullen Transportation and reorganized certain of its subsidiary companies and partnerships into limited partnerships. Mullen is a publicly-traded income trust listed on the Toronto Stock Exchange under the symbol "MTL.UN".

The Fund was established for the purposes of acquiring or investing in the securities of MHT, MGI, MT Investments Inc. ("MT"), formally known as Mullen Transportation, or any associate or affiliate thereof or any other entity involved in any business. Such business may involve the ownership, lease or operation of assets, property or businesses, related to the transportation, distribution or storage of freight or the provision of transportation, warehousing, drilling or other services related to exploration for or drilling, extracting, gathering, processing, transporting, buying, storing or selling of petroleum, natural gas, natural gas liquids, water, minerals or other related products, power or other forms of energy, and any and all related businesses.

The indirect subsidiaries of the Fund carry on the business of the Fund.

The unitholders are the sole beneficiaries of the Fund. CIBC Mellon Trust Company is the trustee (the "Trustee") of the Fund. The Fund is the sole shareholder of MGI. The Fund is not managed by a third-party manager. Pursuant to a delegation agreement, certain of the powers and duties of the Trustee have been delegated to the Administrator and pursuant to an administration agreement dated June 3, 2005 (the "Administration Agreement") the management and administration of the Fund has been delegated to the Administrator. Pursuant to this Administration Agreement, the Administrator, on behalf of the Trustee, may declare payable to the unitholders on a particular distribution record date all or any part of the cash flow of the Fund for a distribution period. Since the creation of the Fund, the Fund has made regular monthly cash distributions on the 15th day of each month (or the first business day thereafter) to holders of units of record on the immediately preceding distribution record date.

Summary Description of Business

The businesses of the Fund are operated through 26 wholly-owned companies and limited partnerships collectively known as the "Mullen Group". These 26 operating businesses, which are owned indirectly by the Fund, are divided into two distinct business segments; Oilfield Services and Trucking/Logistics. The segments are differentiated by the type of service provided, equipment requirements and customer needs. The management and financial expertise, technology and systems support for the operating businesses is provided by the Administrator of the Fund.

At December 31, 2008, the Oilfield Services segment consisted of 19 operating business and utilized its highly trained personnel to provide specialized transportation services, drilling services and well-servicing equipment and warehousing to the oil and gas industry. These services include drilling rig relocation services, conductor pipe setting, core drilling, shallow gas and coal-bed methane drilling, casing setting, transporting of oversize and overweight shipments, pipe stockpiling and stringing, the transportation, handling and storage of oilfield fluids, tubulars and drilling mud, dewatering services and a broad range of services related to the processing and production of heavy oil, including well-servicing and pumping, hauling and disposal of fluids. The Trucking/Logistics segment consisted of 7 operating businesses offering a diversified range of truckload and less-than-truckload general freight services to customers in Canada, the United States and Mexico. These services include transporting a wide range of goods including general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and other dry bulk goods. In addition, the Trucking/Logistics segment also provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada.

Each of the Fund's 26 business units operate as a separate business accountable for its own performance and profitability. The businesses utilize both their own equipment and the services and equipment of owner-operators and subcontractors. As at December 31, 2008, the Fund owned or leased 2,633 power units; had access to an additional 1,176 power units under contract with owner-operators and dedicated subcontractors; and employed 5,200 drivers and field personnel. The Fund also owned or leased 6,950 trailers (the vast majority of which are owned by the Fund), which include vans, flatbeds, dry bulk, specialized trailers and temperature-controlled trailers. In addition, as at December 31, 2008, the Fund owned 31 coring rigs, 16 auger drilling rigs, 3 dual rotary rigs and 6 single drilling rigs.

Disclosure Regarding Issuer Bid

Mullen has made a normal course issuer bid (the "Normal Course Issuer Bid") to purchase from time to time, as it considers advisable, up to 4,519,375 of its issued and outstanding Trust Units on the open market through the facilities of the Toronto Stock Exchange. The Normal Course Issuer Bid commenced on March 20, 2008 and will terminate on March 19, 2009, or such earlier time as the bid is completed or terminated by Mullen. No Trust Units were repurchased up to February 25, 2009. Copies of the Notice of Intention to Make a Normal Course Issuer Bid dated March 17, 2008 pursuant to which the Normal Course Issuer Bid was made may be obtained by securityholders, without charge, by contacting Mullen at 121A - 31 Southridge Drive, Okotoks, Alberta, T1S 2N3 (Telephone: (403) 995-5200, Telecopy: (403) 995-5296).

Accounting Principles

The Fund's audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The audited consolidated financial statements and MD&A were reviewed by the Administrator's Audit Committee on February 25, 2009 and approved by the Administrator's Board on February 25, 2009.

The Fund reports on certain non-GAAP measures that are used by management to evaluate performance of the Fund. Management believes these measures are useful supplemental measures. These non-GAAP measures do

not have standardized meanings and may not be comparable to similar measures presented by other companies or income trusts. For the readers' reference, the definition, calculation and reconciliation of consolidated non-GAAP measures is provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of the MD&A.

Operating income, funds from operations and funds from operations per unit are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures may not be comparable to similar measures presented by other issuers. Management believes these measures are useful supplemental measures. For a description of non-GAAP terms refer to the Glossary of Terms and Reconciliation of Non-GAAP Terms beginning on page 53 of this MD&A. Investors should be cautioned that these non-GAAP terms should not replace net income and cash flow from operating activities as indicators of GAAP performance.

Materiality of Disclosures

Management determines whether or not information is "material" based on whether it believes a reasonable investor's decision to buy, sell or hold securities in the Fund would likely be influenced or changed if the information were omitted or misstated.

Objective of the Fund

The objective of the Fund is to maximize the overall returns to unitholders in two ways. The first is by distributing income generated by the business in the most tax-effective manner allowed by the Income Tax Act (Canada) (the "Tax Act"). The second is by growing the Fund's business through the acquisition of profitable and well-managed businesses in the sectors of the economy where the Fund feels opportunities exist or where the Fund has strong market penetration and business experience, including the oil and gas service industry and the transportation and distribution of freight within the North American economy. Since going public in 1993, Mullen, and its predecessor Mullen Transportation, have acquired approximately 40 businesses and have grown annual revenues to $1.3 billion in 2008 from $72.6 million in 1993.

Quality and Customer Service

The business of the Fund is managed on behalf of its unitholders based upon the principles of generating superior profitability and striving for excellence in safety. To achieve these two goals the Fund has committed to the principles of Total Quality Management, which have been incorporated into the Fund's program known as "On the Road to Quality". This award winning program is based upon the foundation that the Fund's people are the key to the future success of Mullen. In support of this belief the Fund seeks to provide its employees with:

- A quality work environment
- On-going training and skills upgrading
- Career growth opportunities
- Effective technology to enhance systems and processes
- Incentive based-pay

Operating in a team environment, the Fund challenges its employees to make decisions on all aspects relating to the operations of the business. By doing so, the Fund believes that it can improve customer service, enhance business processes, maintain cost controls and obtain excellence in safety.

Operating Strategy

The Fund's approach to managing its business, assets and cash flows to achieve the maximum overall returns to unitholders is based upon the following strategy:

(1) Operate a decentralized business model - the Administrator provides overall support to the operating businesses, which are each held accountable for their own performance and results. The management and employees of these business units are remunerated and receive profit share based upon the performance of their business unit.

(2) Maximize asset utilization - utilizing a combination of company-owned and operated equipment, which are either acquired as an asset or under operating leases, owner-operator equipment, dedicated subcontractors and subcontractors on an as-needed basis.

(3) Invest in energy - investing in western Canada where the economic growth is higher due to the oil and natural gas and mining sectors of the economy and where the Fund believes future growth opportunities exist.

(4) Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate the Fund's growth potential.

(5) Diversify – continue to grow and invest where opportunities exist in the two segments of the economy where the Fund has strong market penetration and customer relationships, namely: the oil and natural gas industry, and the transportation and distribution of freight within North America.

(6) Maintain a strong balance sheet.

(7) In fiscal 2008, the Fund's operating strategy was to maintain a conservative payout ratio over the life of a business cycle. A distribution of 75.0 percent of funds from operations[1] has been considered appropriate for Mullen over the course of a business cycle; however, this could vary from year to year due to market conditions.

(1) Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

SIGNIFICANT DEVELOPMENTS

Acquisitions

In 2008, the Fund completed three acquisitions with the two most significant acquisitions being Essential Energy Services Trust's transport division ("Essential") and R.E. Line Trucking (Coleville) Ltd. and David Tuff's Holdings Ltd. (collectively "R.E. Line").

On July 2, 2008, the Fund acquired the assets and business of Essential which included its fluid hauling and oilfield transport business units for total consideration of $138.1 million. These business units operate through a network of facilities strategically located in areas known for drilling activity and range from northeastern British Columbia and northern Alberta into central/southern Alberta and Saskatchewan. The fluid hauling businesses acquired, namely Cascade Services and JaCar Energy Services, operate as divisions of Cascade Energy Services L.P. The oilfield transport businesses acquired operate as Circle D Transport and Rentals, a division of Mullen Oilfield Services L.P., Prime Oilfield Hauling, a division of Withers L.P. and Leachman Oilfield Trucking, a division of Withers L.P. Polege Oilfield Hauling is operated under Withers L.P. All of these business units are included in the Fund's Oilfield Services segment.

On April 30, 2008, the Fund acquired the outstanding shares of R.E. Line for cash consideration of $12.8 million. R.E. Line is an oilfield transportation company focused on the hauling of crude oil and produced water in the Coleville, Saskatchewan area. Pursuant to the provisions of the R.E. Line Share Purchase and Sale Agreement, the vendor may receive additional cash consideration of up to $2.0 million for exceeding certain financial targets over a two year period from the closing date. R.E. Line is operated as a separate business unit in the Oilfield Services segment.

These acquisitions have been accounted for by the purchase method and results of operations have been included in the 2008 Annuals from the date of acquisition. Total consideration for acquisitions during 2008 amounted to $151.8 million. In 2007, the Fund closed two acquisitions for total consideration of $11.9 million.

Goodwill and Intangible Assets Impairment Testing

Goodwill represents the excess of the purchase price of a business acquisition over the fair value of the underlying net assets at the date of acquisition. In accordance with the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062, goodwill is not amortized and is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate the net asset might be impaired.

When the carrying value of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business acquisition, is compared with its carrying amount to measure the amount of the impairment loss, if any.

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when a business is acquired and then amortized on a straight-line basis over their estimated life. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value.

At December 31, 2008, the Fund performed its annual impairment test for goodwill as well as tested intangible assets for impairment given current market conditions. It was concluded that there was no impairment of goodwill in either of the Fund's reportable segments nor was there an impairment of intangible assets at any of the Fund's business units. The fair value of goodwill calculated at December 31, 2008 exceeded both the $770.9 million

carrying amount in the Oilfield Services segment, and the $73.5 million carrying amount in the Trucking/Logistics segment.

The fair value of goodwill in both operating segments was calculated based on the segments' trailing twelve months operating income[(1)] multiplied by an average trading multiple consistent with comparable companies operating within the same industry with a control premium of approximately 20.0 percent in its calculation of the fair value of goodwill. It was also concluded that the fair value of intangible assets calculated at December 31, 2008 exceeded the $81.4 million carrying amount for business units in the Oilfield Services segment, and the $7.7 million carrying amount for business units in the Trucking/Logistics segment.

Using the same methodology in 2007 with a control premium of 10.0 percent, the Fund recognized impairment of goodwill of $250.0 million and impairment of intangible assets of $25.0 million in the Oilfield Services segment.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Private Placements

On July 2, 2008 the Fund acquired the assets and business of Essential's transport division. The Fund issued 46,757 Mullen Trust Units and 124,238 MCLP Class B Units by way of private placement as part of the consideration of this acquisition. The fair value attributed to these 170,995 units was $3.9 million and was determined using the closing price of Mullen's trust units on July 2, 2008, which was $22.54 per unit.

On September 5, 2007, the Fund received funding from a debt financing with a group of institutional investors in the United States and Canada providing for an issuance by way of private placement of U.S. $85.0 million in Series E Notes and CDN. $20.0 million of Series F Notes. The Series E Notes and Series F Notes will mature September 27, 2017. The Series E and Series F Notes bear annual interest of 5.90 percent and 5.47 percent, respectively, and interest is payable on a semi-annual basis.

Tax on Specified Investment Flow-Through Entities

On June 22, 2007, the Government of Canada enacted a tax on distributions for specified investment flow-through ("SIFT") entities. This enactment has triggered the recognition of future income taxes on assets and liabilities expected to reverse after January 1, 2011. The effect of the income tax increase on the SIFT entities future income tax was reflected as a future income tax expense in 2007.

2008 ANNUAL FINANCIAL REVIEW

SELECTED ANNUAL INFORMATION

Years ended December 31 *($ millions, except unit and per unit amounts)*		2008		2007		2006
Financial Results						
Revenue	**$**	**1,314.2**	$	1,119.5	$	1,003.3
Operating income (1)		**273.3**		209.1		202.1
Income before impairment of goodwill and intangible assets(1)		**113.0**		149.6		128.1
Earnings per unit before impairment of goodwill and intangible assets(1)	**$**	**1.40**	$	1.83	$	1.86
Impairment of goodwill and intangible assets		**—**		275.0		—
Net income (loss)		**113.0**		(118.7)		128.1
Funds from operations (1)		**246.2**		193.8		195.3
Total assets		**1,882.1**		1,770.5		2,021.2
Cash flow from operating activities		**203.8**		212.4		192.2
Cash distributions declared		**144.8**		146.8		124.0
Financial Position						
Long-term debt (including current portion)		**521.4**		402.4		346.7
Debt-to-equity ratio		**0.47:1**		0.36:1		0.24:1
Unit Information						
Funds from operations per unit (1)	**$**	**3.06**	$	2.38	$	2.84
Cash flow from operating activities per unit	**$**	**2.53**	$	2.60	$	2.79
Cash distributions declared per unit	**$**	**1.80**	$	1.80	$	1.80
Earnings (loss) per unit – basic	**$**	**1.40**	$	(1.45)	$	1.86
Earnings (loss) per unit – diluted	**$**	**1.40**	$	(1.45)	$	1.86
Unit price – December 31	**$**	**12.76**	$	17.60	$	18.69
Other Information						
Net property, plant and equipment additions		**58.3**		80.2		85.3
Acquisitions		**147.9**		11.9		1,194.4
Equity issuance		**1.4**		1.4		97.1

(1) Refer to the Glossary of Terms and Reconciliation of Non-GAAP terms section on page 53

Consolidated Analysis

In the 2007 management discussion and analysis we indicated to unitholders that we were cognizant of the significant challenges facing the overall economy, the credit markets and the energy sector, particularly in the Province of Alberta where a new set of resource royalties were being implemented. Despite these challenges the Fund was able to generate record revenue of $1.3 billion and operating income(1) of $273.3 million, increases of 17.4 percent and 30.7 percent, respectively, over 2007. The Fund was also able to continue to distribute cash of $0.15 per unit per month in 2008 for total distributions of $144.8 million.

As at year end the Fund continued to maintain a conservative debt-to-equity ratio of 0.47:1 despite increasing its long-term debt by $119.0 million on a year over year basis. Of this increase, $54.1 million was attributable to the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar on the Fund's $235.0 million of U.S. dollar denominated long-term debt. In addition, at December 31, 2008, the Fund was utilizing $64.2 million of its unsecured $150.0 million extendible revolving 364-day term facility ("Bank Credit facility") with a Canadian chartered bank which was initially drawn on to acquire Essential.

As was the case in 2007, 2008 continued the trend of year over year declines in natural gas drilling activity and related capital investment. The industry statistics indicate that overall oil and gas drilling activity declined on year over year basis by 9.2 percent to 17,043 wells drilled in 2008 compared to 2007. Despite this decline in drilling activity our business units were able to adapt to these market conditions and capitalize on the opportunities that were available.

The strength of our diversified business model and our decentralized structure continued to produce strong year over year results and drives our entrepreneurial spirit. This entrepreneurial spirit was never more evident than in 2008 where all of our operating business units within the Trucking/Logistics segment recorded increased revenue and operating income(1) and were able to capitalize and meet their customer needs. This segment also benefited from foreign exchange gains resulting from the strengthening U.S. dollar as a number of these business units generate revenue in U.S. dollars. The Oilfield Services segment also generated record results and benefited from the acquisitions of Essential and R.E. Line in 2008, and Pro North Oilfield Services ("Pro North"), which was acquired on October 31, 2007. The entrepreneurial spirit was also evidenced in our Oilfield Services segment as those business units leveraged to either the transportation of fluids, the servicing of wells and infrastructure development recorded significant year over year increases in revenue and operating income(1).

During 2008 we reminded unitholders of the possibility that an impairment loss of goodwill and intangible assets may result at year end in conjunction with the Fund's impairment testing of these assets. However, for 2008 the Fund is pleased to report that the impairment test that was performed concluded that no write-down of goodwill or intangible assets was required. The fair value of the Fund's goodwill and intangible assets exceeded its carrying value at December 31, 2008 and was supported mainly by the Fund's strong operating income(1).

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

Revenue

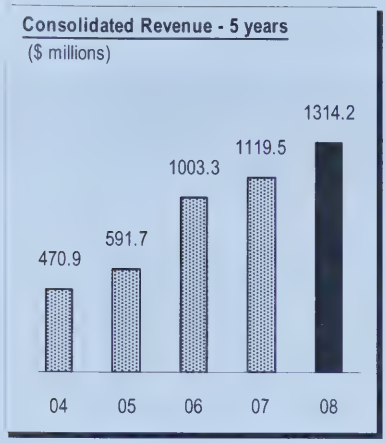
Revenue is generated by the Fund through its 26 operating businesses. These businesses are divided into two segments for reporting purposes, namely Trucking/Logistics and Oilfield Services. The Fund's operating businesses utilize a combination of company assets which are either owned by the Fund or leased under long-term operating leases ("Company Equipment"), owner-operators who provide trucks and/or trailers and work exclusively for the Fund under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "Contractors").

In 2008, consolidated revenue increased by $194.7 million, or 17.4 percent, to $1,314.2 million, from $1,119.5 million in 2007. This increase was attributable to higher revenues generated by both the Oilfield Services segment and Trucking/Logistics segment.

Consolidated Revenue - Years ended December 31					
($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**754.7**	**57.4**	657.5	58.7	97.2
Contractors	**552.6**	**42.1**	454.7	40.6	97.9
Other	**6.9**	**0.5**	7.3	0.7	(0.4)
Total	**1,314.2**	**100.0**	1,119.5	100.0	194.7

** as a percentage of total revenue*

The Oilfield Services segment was responsible for $149.8 million of the increase of which approximately $84.3 million was due to the acquisitions of Pro North, R.E. Line and the transport division of Essential (collectively called the "New Businesses"). In addition, revenue increased in the business units leveraged to the transportation of fluids, servicing of wells and infrastructure development.



In the Trucking/Logistics segment, all the business units, except Pe Ben Bulk, which closed operations in June 2008, had a growth in revenue, resulting in a $48.2 million overall increase. This increase was due to the business units capitalizing on a strong demand for freight services in western Canada, higher pricing relating to the recovery of fuel surcharges associated with higher diesel fuel costs as compared to 2007 and, to a lesser extent, changes in the value of the CDN. dollar as compared to the U.S. dollar. The $6.9 million of other revenue consisted of interest income, rent and other miscellaneous revenue.

Direct Operating Expenses

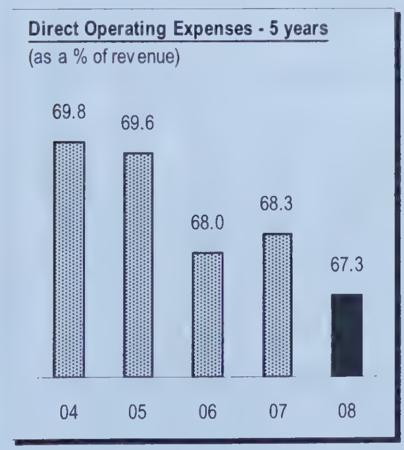
Direct operating expenses include two main categories of expenses. The first category of direct operating expenses relates to the direct costs incurred to operate and maintain Company Equipment. The major direct operating expenses associated with operating Company Equipment are wages, fuel, repairs and maintenance, and operating supplies. The Other expenses included under direct operating expenses - Company mainly consists of operating leases, equipment rent, insurance, taxes and licensing costs. The second category of direct operating expenses are the costs incurred to hire Contractors, whether owner-operators or subcontractors.

Direct operating expenses increased to $884.9 million, up $119.9 million or 15.7 percent, from $765.0 million in 2007. The increase was due to approximately $53.5 million of direct operating expenses incurred by the New Businesses and the increased costs associated with the revenue growth experienced by the Oilfield Services segment and the Trucking/Logistics segment. As a percentage of revenue, these expenses decreased year over year to 67.3 percent of revenue, compared to 68.3 percent in 2007. This decrease reflects the Fund's emphasis throughout the year on finding productivity improvements and controlling costs. The Other expenses shown as direct operating expenses – Company mainly consists of operating leases, equipment rent, insurance, taxes and licensing costs.

Consolidated Direct Operating Expenses - Years ended December 31

($ millions)	**2008**		2007		Change
	$	%*	$	%*	$
Company					
Wages and benefits	**191.7**	**25.4**	176.4	26.8	15.3
Fuel	**71.5**	**9.5**	49.7	7.6	21.8
Repairs and maintenance	**100.8**	**13.3**	98.1	14.9	2.7
Operating supplies	**62.6**	**8.3**	53.3	8.1	9.3
Other	**45.2**	**6.0**	44.8	6.8	0.4
	471.8	**62.5**	422.3	64.2	49.5
Contractors	**413.1**	**74.8**	342.7	75.4	70.4
Total	**884.9**	**67.3**	765.0	68.3	119.9

** as a percentage of respective revenue*



Selling and Administrative Expenses

Selling and administrative ("S&A") expenses include salaries, employee profit share and other administrative expenses incurred to support the operations of the Fund.

S&A expenses increased to $156.0 million, up $10.6 million or 7.3 percent, from $145.4 million in 2007. The increase was due to approximately $11.5 million of S&A expenses associated with the New Businesses, and increased profit share associated with the increased earnings generated by the Fund in both the Oilfield Services segment and Trucking/Logistics segment. Partially offsetting these increases was a reduction in foreign exchange losses. S&A expenses, as a percent of revenue, were 11.9 percent, compared to 13.0 percent in 2007, reflecting the Fund's ongoing efforts to reduce and control administrative costs in all its businesses and the synergies associated with the New Businesses.

Consolidated Selling and Administrative Expenses - Years ended December 31

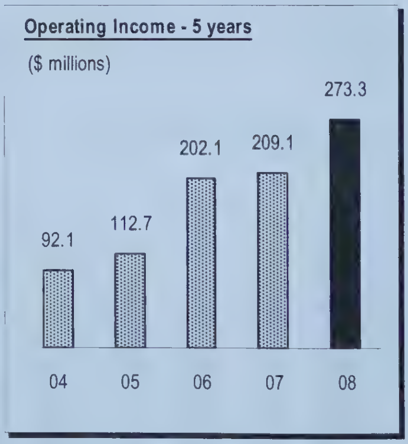
($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Wages and benefits	**71.9**	**5.5**	66.3	5.9	5.6
Communications, utilities and general supplies	**41.3**	**3.1**	38.7	3.5	2.6
Profit share	**23.5**	**1.8**	17.6	1.6	5.9
Foreign exchange	**0.1**	**0.0**	3.9	0.3	(3.8)
Rent and other	**19.2**	**1.5**	18.9	1.7	0.3
Total	**156.0**	**11.9**	145.4	13.0	10.6

** as a percentage of total revenue*

Operating Income

Operating Income[(1)] increased by $64.2 million, or 30.7 percent, to $273.3 million, from $209.1 million in 2007. The Oilfield Services segment accounted for $45.1 million of the increase, of which approximately $19.3 million was due to the New Businesses. The Trucking/Logistics segment increased its operating income[(1)] by $18.9 million due to the increased revenue resulting from the strong demand for freight services in western Canada and the Fund's continued emphasis on controlling costs. As a percent of revenue, operating income[(1)] increased to 20.8 percent compared to 18.7 percent in 2007.

[(1)] Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.



Reconciliation of Operating Income to Net Income and Loss

($ millions, except per unit amounts)	Years ended December 31 2008	2007
	$	$
Operating income[(1)]	**273.3**	209.1
Depreciation on property, plant and equipment	**(62.3)**	(57.7)
Amortization on intangible assets	**(16.8)**	(16.8)
Interest on long-term debt	**(28.1)**	(21.1)
Unrealized (loss) gain on foreign exchange	**(49.3)**	26.7
Unrealized loss on investments	**(6.8)**	—
Gain (loss) on sale of property, plant and equipment and investments	**1.0**	(0.7)
Provision for income taxes (recovery)	**(4.3)**	13.2
Earnings from equity investments	**6.3**	3.6
Impairment of goodwill and intangible assets	**—**	(275.0)
Net income (loss)	**113.0**	(118.7)
Earnings (loss) per unit - basic	**$1.40**	$(1.45)

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

Depreciation on Property, Plant and Equipment

Depreciation on property, plant and equipment increased by $4.6 million year over year to $62.3 million from $57.7 million in 2007. The Oilfield Services segment accounted for $4.4 million of this increase which was primarily the result of additional depreciation being recorded on the $83.1 million of property, plant and equipment acquired in the New Businesses. Depreciation also increased in 2008 due to capital expenditures made in the business units leveraged to either the transportation of fluids and the servicing of wells, or infrastructure development located near Fort McMurray, Alberta. These increases were somewhat offset by a reduction in depreciation on property, plant and equipment utilized by business units dependent on oil and natural gas drilling activity in western Canada. On a year over year basis a reduction in the amount of capital expenditures made by these business units occurred and this reduction, coupled with the declining balance method of depreciation used by the Fund, lowered the amount of depreciation expense recorded by these business units in 2008. The Trucking/Logistics segment accounted for $0.2 million of the increase, which was a result of capital expenditures made by certain business units to meet customer demand in western Canada.

Amortization on Intangible Assets

Intangible assets are mainly comprised of non-competition agreements and customer relationships and are amortized over their estimated life. Amortization on intangible assets was $16.8 million in 2008 which is consistent with the amount recorded in 2007. As at December 31, 2007, the Fund recorded an impairment on intangible assets totaling $25.0 million. This impairment related to the intangible assets acquired with the 2006 acquisition of Producers Oilfield Services Inc. ("Producers") whose operating business units were Formula Powell, Swanberg and Withers, which are in the Oilfield Services segment. At that time the carrying value of intangible assets exceeded its fair value. Going forward into 2008, this $25.0 million impairment lowered the annual amount of amortization expense to be recorded on intangibles. The lower amortization resulting from the impairment was offset by the additional amortization being recorded on the $30.0 million of intangible assets acquired from the New Businesses. At the end of 2008 an impairment test was conducted due to current economic conditions and no impairment was noted.

Interest on Long-Term Debt and Other Interest

The Fund issued by way of private placement, U.S. $100.0 million of Series A Notes, U.S. $50.0 million Series B Notes, CDN. $70.0 million Series C Notes, CDN. $70.0 million Series D Notes, U.S. $85.0 million Series E Notes, and CDN. $70.0 million Series F Notes (collectively "Senior Guaranteed Unsecured Notes"). Total interest expense increased by $7.0 million to $28.1 million in 2008 from $21.1 million in 2007 reflecting the full year's interest on the Series E and Series F Notes issued on September 5, 2007. The increase is also attributable to the Fund borrowing against its Bank Credit facility during 2008. The Fund commenced borrowing on this facility in July 2008 in conjunction with the acquisition of the transport division of Essential. In addition, higher interest expense was recorded on the Fund's U.S. denominated debt as a result of a stronger U.S. dollar relative to the CDN. dollar in 2008 compared to 2007. These increases were partially offset by lower interest expense resulting from principal payments made on certain loans during 2007 and 2008. The Fund's debt-to-equity ratio at December 31, 2008 was 0.47:1 compared to 0.36:1 in 2007. The increase in the debt-to-equity ratio was due to a combination of the $64.2 million increase in long-term debt by virtue of utilizing a portion of the Fund's Bank Credit facility and an additional $54.1 million of long-term debt that the Fund recognized by virtue of the strengthening of the U.S. dollar as compared to the CDN. dollar and its impact on the Fund's $235.0 million of U.S. dollar denominated debt.

Unrealized Gain and Loss on Foreign Exchange

($ millions)		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
December 31, 2007 - beginning balance	$	235.0	0.99	$	232.6
December 31, 2008		235.0	1.22		286.7
Unrealized loss on U.S. dollar debt					(54.1)
Unrealized gain related to U.S. dollar cash					4.8
Net unrealized loss on foreign exchange in 2008				$	(49.3)

The Fund recorded an unrealized loss on foreign exchange of $49.3 million in 2008. This unrealized loss on foreign exchange mainly reflected the impact of the change over the year in the value of the CDN. dollar relative to the U.S. dollar and its impact on the Fund's U.S dollar denominated debt of $235.0 million. This change in the relative value of the currencies created a loss of $54.1 million in relation to the Fund's U.S. dollar debt, which was offset by a $4.8 million increase in the value of the Fund's U.S. dollar cash held at December 31, 2007, which was converted to CDN. dollars during 2008. At December 31 2007, the Fund recorded a $26.7 million unrealized gain on foreign exchange. This unrealized gain on foreign exchange mainly reflected the impact of the change over 2007 in the value of the CDN. dollar relative to the U.S. dollar and its impact on the Fund's U.S. dollar denominated debt. This change in relative value resulted in a gain of $31.4 million in relation to the Fund's U.S. dollar debt which was offset by a $4.7 million unrealized loss on U.S. dollar cash held at year end.

Unrealized Gain and Loss on Investment

The Fund periodically invests in certain private and public corporations which operate within its core business. As such, the Fund regularly reviews the financial performance and the underlying carrying value of its investments. At December 31, 2008, the Fund recorded an unrealized loss on investment of $6.8 million reflecting the decline in the carrying value of an investment from its original cost.

Gain and Loss on Sale of Property, Plant and Equipment

In 2008, the Fund recognized a gain on sale of property, plant and equipment of $1.0 million on total proceeds on sale of $21.7 million compared to a $0.7 million loss on sale of property, plant and equipment on total sale proceeds of $16.4 million in 2007. Aggregate gains and losses on the sale of property, plant and equipment over

the past five years amounted to a $1.0 million net gain, which reflects the reasonableness of the Fund's depreciation rates. In 2008, the Oilfield Services segment had proceeds on sale totaling $11.8 million, which mainly consisted of proceeds from the sale of under-utilized and redundant equipment in those business units dependent on oil and natural gas drilling activity. The Trucking/Logistics segment had proceeds on sale of $4.3 million, which mainly consisted of the sale of redundant equipment resulting from the wind up of Pe Ben Bulk as well as the sale of certain equipment by Mill Creek. The Corporate segment had proceeds on sale of $5.6 million consisting of under-utilized land and buildings.

Income Taxes

	Years ended December 31	
($ millions)	**2008**	**2007**
Income (loss) before income taxes and earnings from equity investments	$ **111.0**	$ (135.5)
Income tax rate	**31%**	33%
Computed expected income tax expense (recovery)	**34.4**	(44.7)
Add (less):		
Impairment of goodwill	**—**	84.0
Tax related to income allocated to unitholders	**(42.8)**	(46.9)
Reduction of future tax balances to enacted income tax rate changes	**—**	(12.6)
Future tax adjustments on temporary differences in flow-through entities	**3.4**	3.1
Non-deductible unit-based compensation	**0.8**	0.8
Non-taxable portion of unrealized foreign exchange loss (gain)	**7.3**	(4.4)
Other	**1.2**	7.5
Provision for income taxes (recovery)	$ **4.3**	$ (13.2)

For the year ended December 31, 2008, the Fund recorded an income tax expense of $4.3 million compared to an income tax recovery of $13.2 million in 2007. The $17.5 million year over year increase in the provision for income taxes was due to three main factors. Firstly, the most significant factor was due to the $246.5 million year over year increase in income (loss) before income taxes and earnings from equity investments. This increase combined with a 2.0 percent lowering of the income tax rate increased the computed expected income tax expense by $79.1 million to $34.4 million. The $79.1 million increase is mainly due to the $84.0 million of tax increase due to the non-taxable deduction related to the impairment of goodwill in 2007. Secondly, the Fund recorded an income tax recovery of $12.6 million in 2007 related to the reduction of future tax balances resulting from the Federal government's change to enacted income tax rates. Thirdly, the non-taxable portion of unrealized foreign exchange loss (gain) increased by $11.7 million to $7.3 million from a recovery of $4.4 million in 2007. This resulted by virtue of the foreign exchange loss of $49.3 million recorded in 2008 compared to a foreign exchange gain of $26.7 million in 2007.

Earnings from Equity Investments

Earnings from equity investments improved by $2.7 million to $6.3 million from $3.6 million in 2007. The increase was mainly due to the stronger earnings from Pe Ben USA Inc. ("Pe Ben USA") which was a direct result of greater revenue and demand for pipeline stock piling and stringing activity in the U.S. In 2008, the Fund generated $6.0 million of earnings from equity investments from its 50.0 percent interest in Pe Ben USA. On October 31, 2008, the Fund sold its interest in Pe Ben USA. The remaining $0.3 million of earnings from equity investments was generated by virtue of the Fund's 50.0 percent interest in Durango Oilfield Services Inc. ("Durango") which operates an oilfield fluid transportation business in Hudson Hope, British Columbia. The Fund acquired its 50.0 percent equity interest in Durango by virtue of a share purchase and sale agreement dated January 31, 2008 under which the Fund paid cash consideration of $1.2 million for its interest.

Impairment of Goodwill and Intangible Assets

As noted earlier on page 7 of this MD&A, for the year ended December 31, 2008, the Fund performed its annual impairment test of goodwill as well as tested intangible assets and concluded that the fair market value of both assets exceeded their carrying amount, thus a write-down was not required. In 2007, the Fund recorded an impairment of goodwill and intangible assets of $250.0 million and $25.0 million, respectively, which related to the impairment in the Oilfield Services segment.

Net Income

	Years ended December 31			
($ millions, except per unit amounts)		2008		2007
Net income (loss)	$	113.0	$	(118.7)
Impairment of goodwill and intangible assets		—		275.0
Future income tax effect on impairment of intangible assets		—		(6.7)
Income before impairment of goodwill and intangible assets		113.0		149.6
Earnings (loss) per unit	$	1.40	$	(1.45)
Earnings per unit before impairment of goodwill and intangible assets	$	1.40	$	1.83

Net income in 2008 was $113.0 million, an increase of $231.7 million, compared to 2007. This significant change in net income is attributable to the following:

- In 2007, net income decreased by $268.3 million due to the recognition of a goodwill and intangible asset write-down, net of income tax.
- A year over year negative variance of $76.0 million in unrealized loss on foreign exchange due to a loss of $49.3 million in 2008 compared to a gain of $26.7 million in 2007.
- From an operating perspective, the Fund had a record year posting operating income(1) of $273.3 million, a $64.2 million increase from 2007.

To a lesser extent net income was negatively impacted by the following year over year variances: a $17.5 million increase in the provision for income taxes, a $7.0 million increase in interest on long-term debt resulting mainly from the U.S. $85.0 million Series E and CDN. $20.0 million Series F Notes issued on September 5, 2007, a $6.8 million increase in unrealized loss on investment, and a $4.6 million increase in depreciation on property, plant and equipment due mainly to the acquisitions of Essential, R.E. Line and Pro North.

Net income was positively impacted by a $2.7 million increase in earnings from equity investments and a $1.7 million increase in the gain on sale of property, plant, and equipment. The Fund generated earnings per unit of $1.40 compared to a loss of $1.45 per unit during 2007, however, it would have generated earnings of $1.83 per unit, if it had not recognized the $275.0 million impairment of goodwill and intangible assets. The weighted average number of units decreased on a year over year basis from 81,596,000 in 2007 to 80,492,000 in 2008 due to the 400,500 Trust Units that were cancelled during the first quarter of 2008, and the 774,800 Trust Units cancelled in the fourth quarter of 2007.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

2008 ANNUAL SEGMENTED RESULTS

Year ended December 31, 2008 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	**$**	**$**	**$**
Revenue	**835.2**	**485.2**	**(6.2)**	**1,314.2**
Direct operating expenses	**543.1**	**354.7**	**(12.9)**	**884.9**
Selling and administrative expenses	**95.7**	**47.3**	**13.0**	**156.0**
Operating income [(1)]	**196.4**	**83.2**	**(6.3)**	**273.3**

Year ended December 31, 2007 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	685.4	437.0	(2.9)	1,119.5
Direct operating expenses	448.8	326.4	(10.2)	765.0
Selling and administrative expenses	85.3	46.3	13.8	145.4
Operating income [(1)]	151.3	64.3	(6.5)	209.1

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

OILFIELD SERVICES SEGMENT

The Fund provides the energy sector in western and northern Canada with a wide range of services related to the drilling for oil and natural gas, infrastructure development and capital projects. Energy companies generate their income from the sale of the commodities they produce and as such their decision to deploy capital is primarily dependent on the cash flows generated by the combination of production levels and commodity prices.

Business Unit	***Services Provided***	***Market Area***
Brady Oilfield Services L.P.	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Southeastern Saskatchewan*
Burnell Contractors L.P.	*Specializes in the transport of overweight and oversize equipment and machinery.*	*Western Canada*
Canadian Dewatering L.P.	*Specialized services including the rental and sale of trailer or skid mounted diesel pumps, submersible centrifugal pumps, and diesel generators associated with the suction and discharge of fluids, dredging, barge rentals, and commercial diving services.*	*Western and Central Canada*
Cascade Energy Services L.P.	*Provides production services pertaining to fluid management to the oil and gas industry, as well as provides chemical solutions by maintaining facilities for mixing, storage and transportation of these chemicals.*	*Western Canada*

Business Unit	*Services Provided*	*Market Area*
E-Can Oilfield Services L.P.	*Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.*	*Western Canada*
FSJ L.A.N.D. Transport L.P.	*Provides services to the oil and gas industry involving the dismantling, hauling, and rigging up of drilling rigs.*	*Fort St. John, British Columbia*
Formula Powell L.P.	*Provides a wide range of services including the warehousing and distribution of drilling mud; the transportation, storage and handling of oilfield fluids; the transporting and installation of matting services, and general oilfield hauling.*	*Western Canada*
Heavy Crude Hauling L.P.	*Provides pumping, hauling and disposal of fluids associated with the processing and production of heavy oil.*	*Western and Northern Canada*
Mullen Oilfield Services L.P.	*Provides services to the oil and gas industry involving the dismantling, hauling, and rigging up of drilling rigs.*	*Western Canada*
OK Drilling Services L.P.	*Provides upstream oil and gas services related to the setting of conductor pipe and the drilling and setting of surface casing.*	*Western Canada*
Pe Ben Oilfield Services L.P.	*Provides transportation and warehousing of drill pipe and casing for the oil and gas industry as well as general oilfield hauling.*	*Western Canada*
Premay Equipment L.P.	*Specializes in the transportation of oversize and overweight modules, vessels, equipment and machinery for clients in the engineering, procurement, construction, mining and oil and gas industries.*	*Western Canada*
Premay Pipeline Hauling L.P.	*Provides the mainline large diameter pipeline construction industry with contract services including the hauling, stockpiling and stringing of large diameter oil and gas transmission pipe, along with the transport of pipeline equipment.*	*Western Canada*
Pro North Oilfield Services	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids along with tank services and 400 BBL rentals.*	*Northern British Columbia*
R.E. Line Trucking (Coleville) Ltd.	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Coleville, Saskatchewan*
Spearing Service L.P.	*Provides pumping, transportation and disposal of crude oil, produced water and natural gas drilling fluids.*	*Southern Saskatchewan and North Dakota*
Swanberg Bros. Trucking L.P.	*Provides services to the oil and gas industry involving the dismantling, hauling, and rigging up of drilling rigs.*	*Western Canada*

Business Unit	Services Provided	Market Area
TREO Drilling Services L.P.	*Provides core drilling services in the oilsands along with conventional oil and gas drilling and coal-bed methane drilling to depths up to 1,500 meters.*	*Western Canada*
Withers L.P.	*Provides transportation and warehousing of drill pipe and casing for the oil and gas industry as well as general oilfield hauling.*	*Western Canada*

A more detailed description of each of these business units is set forth in the Fund's Annual Information Form dated February 25, 2009, which is available on SEDAR at www.sedar.com, the Fund's website at www.mullen-group.com or on request, free of charge, from the Fund's Investor Services group, ir@mullen-group.com.

Revenue

Revenue in the Oilfield Services segment is generated through its 19 business units by utilizing both Company Equipment and Contractors.

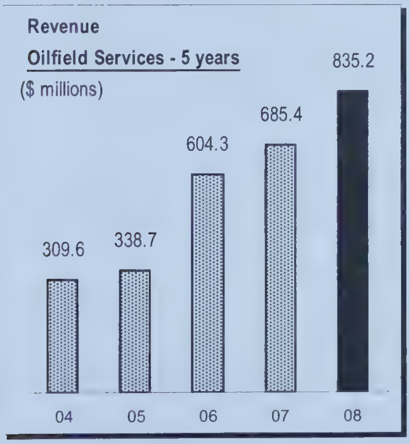
This segment represented 63.3 percent of pre-consolidated revenue for the year, compared to 61.1 percent in 2007.

Revenue - Oilfield Services - Years ended December 31

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**586.4**	**70.2**	501.7	73.2	84.7
Contractors	**244.7**	**29.3**	180.4	26.3	64.3
Other	**4.1**	**0.5**	3.3	0.5	0.8
Total	**835.2**	**100.0**	685.4	100.0	149.8

** as a percentage of total revenue*

The segment generated $835.2 million of revenue, an increase of $149.8 million or 21.9 percent, from $685.4 million in 2007. The New Businesses were responsible for approximately $84.3 million of the increase. The business units (other than the New Businesses) involved in the transportation of fluids and the servicing of wells had a $52.8 million increase in revenue and the businesses involved in infrastructure development had a $21.2 million increase in revenue. Offsetting these increases was a $4.2 million decline in revenue by the businesses dependent on oil and gas drilling activity as a result of the year over year decrease in oil and gas drilling activity in western Canada, as the number of wells drilled decreased by 9.2 percent to 17,043 in 2008 compared to 2007.



Direct Operating Expenses

Direct operating expenses increased to $543.1 million, up $94.3 million or 21.0 percent, from $448.8 million in 2007.

Direct Operating Expenses - Oilfield Services - Years ended December 31					
($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**158.0**	**27.0**	141.6	28.2	16.4
Fuel	**52.3**	**8.9**	36.5	7.3	15.8
Repairs and maintenance	**77.4**	**13.2**	74.7	14.9	2.7
Operating supplies	**44.8**	**7.6**	36.6	7.3	8.2
Other	**25.4**	**4.3**	23.7	4.7	1.7
	357.9	**61.0**	313.1	62.4	44.8
Contractors	**185.2**	**75.7**	135.7	75.2	49.5
Total	**543.1**	**65.0**	448.8	65.5	94.3

** as a percentage of respective revenue*

The increase was due to approximately $53.5 million of direct operating expenses associated with the New Businesses and the balance of the increase was due to the costs associated with the increased revenue generated by the other business units in the Oilfield Services segment. Direct operating expenses related to Company revenue were 61.0 percent of Company revenue, compared to 62.4 percent in 2007. This decrease was due to lower wages, repairs and maintenance and other costs (operating leases, equipment rent, insurance, taxes, licenses) which were partially offset by increased fuel and operating supplies. Contractor costs increased slightly to 75.7 percent of contractor revenue compared to 75.2 percent in 2007. Total direct operating expenses, as a percent of revenue, were 65.0 percent in 2008, compared to 65.5 percent in 2007, resulting in the gross margin increasing to 35.0 percent from 34.5 percent in 2007.

Selling and Administrative Expenses

S&A expenses increased to $95.7 million, up $10.4 million or 12.2 percent from $85.3 million in 2007. The increase reflects an approximate $11.5 million of S&A expenses in the New Businesses offset by slightly lower expenses in the other business units.

S&A expenses decreased to 11.5 percent of revenue in 2008 compared to 12.4 percent in 2007.

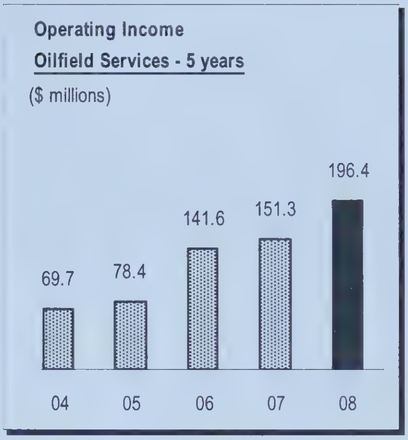
Selling and Administrative Expenses - Oilfield Services - Years ended December 31					
($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Wages and benefits	**42.3**	**5.1**	37.7	5.5	4.6
Communications, utilities and general supplies	**25.7**	**3.1**	24.4	3.6	1.3
Profit share	**15.6**	**1.9**	12.7	1.8	2.9
Rent and other	**12.1**	**1.4**	10.5	1.5	1.6
Total	**95.7**	**11.5**	85.3	12.4	10.4

** as a percentage of total revenue*

Operating Income

Operating income[1] was $196.4 million, an increase of $45.1 million, or 29.8 percent, from $151.3 million in 2007. The increase was due to approximately $19.3 million of operating income[1] generated by the New Businesses and increases in operating income[1] in the business units tied to the transportation of fluids, the servicing of wells and infrastructure development. Operating income[1], as a percent of revenue, increased to 23.5 percent, from 22.1 percent in 2007, reflecting improved margins in all the businesses except the businesses dependent on infrastructure development.

[1] Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.



Capital Expenditures

The Oilfield Services segment had gross capital expenditures of $44.5 million and dispositions of $11.8 million for net capital expenditures of $32.7 million in 2008. Gross capital expenditures mainly consisted of additional trucks and trailers to meet customer demands, especially in relation to the business units tied to the transportation of fluids, and those business units operating within the oilsands projects near Fort McMurray, Alberta. The majority of the dispositions occurred in those business units tied directly to oil and gas drilling activity as the Fund disposed of under-utilized equipment resulting from the year over year decline in drilling activity in western Canada. In 2007, gross capital expenditures were $46.3 million and dispositions were $9.6 million for net capital expenditures of $36.7 million. Of the $36.7 million in net capital expenditures, $14.6 million of the expenditures were used to acquire assets for business units tied to the transportation of fluids, $18.0 million was for upgrading existing operating equipment and $4.1 million was invested into a camp in northern Alberta.

TRUCKING/LOGISTICS SEGMENT

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. and Mexico.

Business Unit	***Services Provided***	***Market Area***
Mullen Trucking L.P.	*Irregular route truckload and less-than-truckload ("LTL") flatbed, van and specialized hauling services.*	*Canada and U.S.*
Cascade Carriers L.P.	*Dry bulk freight hauling and pressurized gas transport using specialized trailers.*	*Western Canada*
Grimshaw Trucking L.P.	*Regional, scheduled LTL service, flatbed and van services.*	*Western Canada and the Northwest Territories*
Mill Creek Motor Freight L.P.	*Irregular route truckload and LTL van and flatbed services.*	*Canada, U.S. and Mexico*
Tenold Transportation Limited Partnership	*Irregular route truckload and LTL van service, warehousing and custom cable cutting and reel services.*	*Canada and U.S.*

Business Unit	Services Provided	Market Area
Kleysen Group L.P.	*Irregular route truckload and LTL flatbed and van service, dry bulk hauling, intermodal, transload and storage services.*	*Canada and U.S.*
Payne Transportation L.P.	*Irregular route truckload and LTL flatbed and van service.*	*Canada and U.S.*

A more detailed description of each of these business units is set forth in the Fund's Annual Information Form dated February 25, 2009, which is available on SEDAR at www.sedar.com, the Fund's website at www.mullen-group.com or on request, free of charge, from the Fund's Investor Services group, ir@mullen-group.com.

Revenue

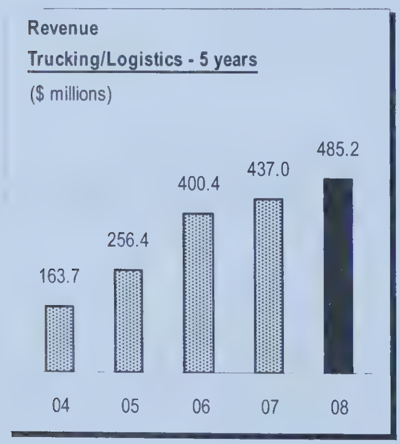
Revenue in the Trucking/Logistics segment is generated through its seven business units by utilizing both Company Equipment and Contractors.

The segment represented 36.7 percent of pre-consolidated revenue in 2008, compared to 38.9 percent in 2007. The segment generated $485.2 million of revenue, up $48.2 million or 11.0 percent from $437.0 million in 2007. The majority of the increase was generated by the Kleysen Group and Mullen Trucking but all the other business units that operated for the full year, had revenue increases. The business units benefitted from the strong demand for freight services in western Canada, especially in relation to infrastructure development and mining, increased revenue from fuel surcharges, and higher revenue due to U.S. dollar sales which equated to a higher CDN. dollar revenue, due to the weakening CDN. dollar. Those increases were partially offset by a $5.0 million decrease in revenue from the Pe Ben Bulk business where operations ceased during 2008. The Other revenue of $1.0 million consisted primarily of rent and miscellaneous revenue.

Revenue - Trucking/Logistics - Years ended December 31

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**168.5**	**34.7**	155.8	35.7	12.7
Contractors	**315.7**	**65.1**	279.8	64.0	35.9
Other	**1.0**	**0.2**	1.4	0.3	(0.4)
Total	**485.2**	**100.0**	437.0	100.0	48.2

** as a percentage of total revenue*



Direct Operating Expenses

Direct operating expenses increased to \$354.7 million, up \$28.3 million or 8.7 percent, from \$326.4 million in 2007. The increase was mainly attributable to the costs associated with the \$48.2 million of increased revenue in the segment. Direct operating expenses related to higher fuel costs in 2008 versus 2007, offset by reduced costs in the other main operating expenses were 70.6 percent of Company revenue as compared to 73.0 percent in 2007. Contractor costs decreased to 74.7 percent of Contractor revenue, from 76.0 percent in 2007. Total direct operating expenses, as a percentage of revenue, were 73.1 percent in 2008, compared to 74.7 percent in 2007, resulting in the gross margin increasing to 26.9 percent from 25.3 percent in 2007. The increase in gross margin was mainly attributable to all the business units maintaining a disciplined approach to controlling costs.

Direct Operating Expenses - Trucking/Logistics - Years ended December 31

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**33.7**	**20.0**	34.8	22.3	(1.1)
Fuel	**19.2**	**11.4**	13.2	8.5	6.0
Repairs and maintenance	**23.4**	**13.9**	23.4	15.0	—
Operating supplies	**17.8**	**10.6**	16.7	10.7	1.1
Other	**24.8**	**14.7**	25.7	16.5	(0.9)
	118.9	**70.6**	113.8	73.0	5.1
Contractors	**235.8**	**74.7**	212.6	76.0	23.2
Total	**354.7**	**73.1**	326.4	74.7	28.3

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses increased to \$47.3 million, up \$1.0 million or 2.2 percent, from \$46.3 million in 2007. Profit share increased by \$4.6 million, the result of improved operating results for the segment. That increase was offset by a \$3.1 million foreign exchange gain compared to a \$1.9 million foreign exchange loss in 2007. The other expenses had nominal changes due to the Fund's continued focus on cost controls. S&A expenses were 9.7 percent of revenue in 2008, compared to 10.6 percent in 2007, reflecting the benefit of the increased revenue and the Fund's focus on cost controls.

Selling and Administrative Expenses - Trucking/Logistics - Years ended December 31

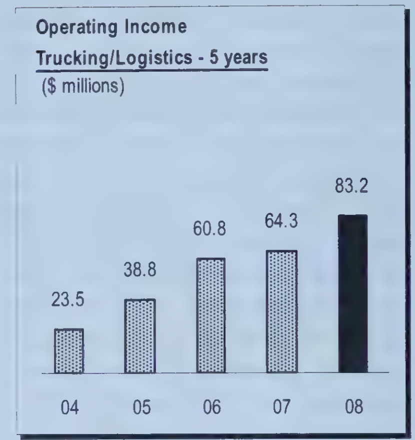
($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Wages and benefits	**24.8**	**5.1**	24.1	5.6	0.7
Communications, utilities and general supplies	**11.6**	**2.4**	11.1	2.5	0.5
Profit share	**11.7**	**2.4**	7.1	1.6	4.6
Foreign exchange	**(3.1)**	**(0.7)**	1.9	0.4	(5.0)
Rent and other	**2.3**	**0.5**	2.1	0.5	0.2
Total	**47.3**	**9.7**	46.3	10.6	1.0

** as a percentage of total revenue*

Operating Income

The segment generated $83.2 million of operating income[1], an increase of $18.9 million or 29.4 percent from $64.3 million in 2007. The increase was the result of improved operating income[1] in all the business units other than Pe Ben Bulk, which ceased operations in the second quarter of 2008. The businesses benefitted from increased freight volume and pricing in western Canada and their continued emphasis on controlling costs. Operating income[1], as a percent of revenue, increased to 17.1 percent from 14.7 percent in 2007.

[1] Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.



Capital Expenditures

The Trucking/Logistics segment had gross capital expenditures of $13.3 million and dispositions of $4.3 million for net capital expenditures of $9.0 million in 2008. Gross capital expenditures consisted of a combination of replacement trucks and trailers, as well as an expansion of the trailer fleet in certain business units in order to reduce rental costs and meet customer demand. Dispositions mainly consisted of the sale of redundant assets associated with Pe Ben Bulk and to a lesser extent, the sale of older trucks and trailers. In 2007, gross capital expenditures were $13.6 million and dispositions were $4.4 million for net capital expenditures of $9.2 million. The net capital expenditures in 2007 were primarily for upgrading and replacing existing trucks and trailers.

CORPORATE

The Corporate Head Office provides support to the Fund's business units including payroll services, information technology support and accounting services. In addition, the Corporate Head Office is responsible for all regulatory and public reporting expenses.

In 2008, the corporate head office had net administrative expenses of $8.5 and revenue of $2.2 million, mainly for interest income and other miscellaneous income, which resulted in a net operating loss of $6.3 million. In 2007, net administrative expenses were $9.1 million and revenue was $2.7 million for a net operating loss of $6.4 million. Revenue decreased by $0.5 million on a year over year due to less interest income generated on the Fund's cash and cash equivalents. Net administrative expenses decreased by $0.6 million in 2008 as profit share paid out was less than what was charged to the operating business units.

CAPITAL RESOURCES AND LIQUIDITY

Sources and Uses of Cash

($ millions)	Years ended December 31 2008	2007
Cash, beginning of year	**$ 79.2**	$ 49.4
Sources of cash:		
Funds from operations[(1)]	**246.2**	193.8
Proceeds of long-term debt	**85.7**	107.9
Proceeds from Trust Unit issuances	**1.4**	1.3
Changes in non-cash working capital items	**—**	18.6
Proceeds from sale of investments	**0.5**	0.1
Cash distribution from equity investment	**4.8**	3.1
Other assets	**0.4**	4.0
Total sources	**339.0**	328.8
Uses of cash:		
Changes in non-cash working capital items	**42.4**	—
Distributions paid	**144.8**	147.0
Acquisitions	**147.9**	11.9
Net property, plant and equipment additions	**58.3**	80.2
Repayment of long-term debt	**23.3**	23.7
Repurchase of Trust Units	**—**	28.7
Purchase of investments	**1.2**	7.5
Total usage	**417.9**	299.0
(Decrease) increase in cash	**(78.9)**	29.8
Cash, end of year	**$ 0.3**	$ 79.2

(1) Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

In 2008, funds from operations[(1)] increased by 27.0 percent from $193.8 million in 2007 to $246.2 million. On a per unit basis, this equates to $3.06 per unit in 2008, an increase of $0.68 from the $2.38 generated in 2007. This increase was mainly due to greater income generated by both the Oilfield Services segment and the Trucking/Logistics segment and to a lesser extent due to the lower weighted average number of units outstanding of 80,492,000 in 2008 compared to 81,596,000 in 2007.

The $246.2 million of funds from operations[(1)] were supplemented by $85.7 million in proceeds from long-term debt, $4.8 million of a cash distribution from an equity investment, $0.5 million in proceeds from sale of investments, $1.4 million from the proceeds of issuing Trust Units upon the exercise of options, and $0.4 million of other assets consisting mainly of proceeds from an equity investee to repay a secured loan.

Cash was required to finance non-cash working capital items of $42.4 million mainly due to the increase in accounts receivable associated with the New Businesses, pay distributions to unitholders' of $144.8 million, acquire the transport division of Essential, R.E. Line Trucking and M&L Trucking for aggregate cash consideration of $147.9 million, acquire net property, plant and equipment in the amount of $58.3 million, repay long-term debt of $23.3 million, and to purchase $1.2 million of investments.

Cash flow from operating activities decreased by $8.6 million from $212.4 million in 2007 to $203.8 million in 2008. This decrease results from the combination of an additional $61.0 million required to finance non-cash working capital items due to the growth of the Fund being offset by a $52.4 increase in funds from operations[1]. The additional $61.0 million in non-cash working capital items was mainly due to the year over year change in accounts receivable.

At December 31, 2008, the Fund had access to an additional $85.8 million of cash from its Bank Credit facility which is convertible to a one year reducing facility. This additional funding is available to finance the Fund's ongoing working capital and capital expenditure requirements. Although the facility is available, the Fund intends to use cash generated from operating activities to fund capital expenditures and 2009 distributions. At December 31, 2008, the Fund had committed capital expenditures of $3.5 million. Given the current uncertain global economic environment, the Fund's Board approved a $25.0 million capital expenditure budget for 2009 to be allocated to those business units that have attractive growth opportunities, which will generate high returns on capital employed. This compares to net capital expenditures of $58.3 million in 2008. Generally, over the course of a normal economic cycle, the Fund's maintenance capital expenditure is equal to annual depreciation on property, plant and equipment which in 2008 was $62.3 million. The Fund's diverse business model, and its wide geographic range of operations, provides the Fund with the ability to redeploy certain assets over different regions for greater utilization and to meet customer demand. It also provides the Fund with considerable flexibility in the amount of maintenance capital expenditure requirements in any one given fiscal period. In light of the current uncertain global economic environment, the Fund announced its intention to convert from an income trust to a corporation in 2009, to reduce its monthly distribution to $0.075 per unit per month for the months of January, February, and March 2009 and to then end distributions as an income trust resulting in total distributions of approximately $18.1 million in 2009.

The Fund had drawn $64.2 million on its Bank Credit facility at December 31, 2008. This facility is scheduled to be renewed in June 2009 but it is anticipated that an earlier renewal will occur in conjunction with the Conversion. The Fund also had net debt outstanding of $365.6 million, which consists of long-term debt of $518.0 million less working capital of $152.4 million. Of the Fund's long-term debt, U.S. $100.0 million and CDN $70.0 million matures on June 30, 2016, U.S. $50.0 million and CDN $70.0 million matures on June 30, 2018, and the remaining U.S. $85.0 million and CDN $20.0 million matures on September 27, 2017.

(1) Funds from operations is a non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Financial Covenants	Financial Covenant Threshold	December 31, 2008	December 31, 2007
Private Placement Debt Covenants			
(a) Total debt to operating cash flow	3.50:1.0	1.90:1.0	1.91:1.0
(b) Total earnings available for fixed charges to total fixed charges	1.75:1.0	6.40:1.0	5.95:1.0
Bank Credit Facility Covenants			
(a) Total debt to operating income[1]	2.75:1.0	1.88:1.0	1.94:1.0
(b) Minimum fixed charge coverage ratio	1.75:1.0	5.58:1.0	5.67:1.0

The Fund has certain financial covenants under both its private placement debt facility as well as its Bank Credit facility. The Fund is not in violation of these covenants which are summarized as follows:

Private Placement Debt Financial Covenants

- Total debt to operating cash flow – The Fund's total long-term debt (including the current portion) cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results. Operating cash flow consists of operating income[1] plus unit-based compensation.

- Total earnings available for fixed charge to total fixed charges – The Fund cannot have a fixed charge coverage ratio less than 1.75:1.00 calculated using the trailing twelve months financial results.

Bank Credit Facility Financial Covenants

- Total debt to operating income[(1)] – The Fund's total long-term debt (including the current portion) cannot exceed 2.75 times operating income[(1)] using the trailing twelve months financial results.

- Minimum fixed charge coverage ratio – The Fund cannot have a minimum fixed charge coverage ratio less than 1.75:1.00 calculated using the trailing twelve months financial results.

- The Fund is limited to the amount of distributions to unitholders in any given fiscal year by its Bank Credit facility whereby total distributions to unitholders cannot exceed distributable cash. Distributable cash consists of funds from operations[(1)] less maintenance capital expenditures.

The Fund is prohibited from making distributions to unitholders if it is in violation of any of the above financial covenants.

(1) Operating income and funds from operations are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Capital Expenditures

For the twelve month period ended December 31, 2008, the net property, plant and equipment expenditures totalled $58.3 million excluding the acquisition of the New Businesses. Gross capital expenditures were comprised of $44.5 million in the Oilfield Services segment, $13.3 million in the Trucking/Logistics segment and $22.2 million in the Corporate Head Office. These expenditures were offset by land and building disposals of $5.6 million in the Corporate Head Office, disposals of $11.8 million in the Oilfield Services segment and disposals of $4.3 million in the Trucking/Logistics segment.

Contractual Obligations

	Maximum Payments				
($ millions)	Total	1 Year	2 - 3 Years	4 - 5 years	5 years and thereafter
	$	$	$	$	$
Long-term debt	521.4	3.4	67.9	5.1	445.0
Operating leases	37.8	15.8	15.8	3.8	2.4
Total Contractual Obligations	559.2	19.2	83.7	8.9	447.4

The Fund ended 2008 with long-term debt of $521.4 million, an increase of $119.0 million, compared to the $402.4 million of long-term debt at the beginning of the year. During 2008, the Fund added a total of $85.7 million in proceeds of long-term debt. These proceeds consisted of drawings of $82.0 million on its Bank Credit facility, and another $3.7 million by assuming a mortgage on a property acquired. In addition, $54.1 million was added to long-term debt by virtue of the strengthening in the U.S. dollar compared to the CDN. dollar and its impact on the Fund's $235.0 million of U.S. denominated long-term debt. The Fund repaid $23.3 million of long-term debt during 2008 of which $17.8 million was used to reduce the amount owing on the Bank Credit facility to $64.2 million at year end. Another $5.5 million of principal repayments were made on other existing loans in 2008 and $2.5 million of long-term debt was assumed by virtue of the acquisitions of Essential and R.E. Line. At year end, the Fund's debt-to-equity ratio was 0.47:1 compared to a ratio of 0.36:1 at the end of 2007.

Operating lease commitments of $37.8 million consist mostly of building and equipment rent used by the Fund's operating business units. This is up $5.5 million from the $32.3 million in 2007 due to an additional $12.0 million of contractual obligations assumed on the acquisition of Essential. These additional obligations were offset by a decrease of $6.5 million from other leases. This reduction in other leases related to the Fund purchasing certain properties that were previously leased, a reduction in the amount outstanding on building and equipment leases, as well as certain leases on under-utilized buildings not being renewed or subleased.

Unitholders' Capital

($ millions, except unit amounts)	Trust Units	$	B Units	$	Total Units	$
Balance at December 31, 2007	60,571,981	817.0	20,171,862	368.3	80,743,843	1,185.3
Units issued on exercise of options	90,959	2.5	—	—	90,959	2.5
Trust Units issued on exchange of B Units	1,548,943	28.3	(1,548,943)	(28.3)	—	—
Private placement	46,757	1.1	124,238	2.8	170,995	3.9
Units repurchased	(400,500)	(5.9)	—	—	(400,500)	(5.9)
Balance at December 31, 2008	61,858,140	843.0	18,747,157	342.8	80,605,297	1,185.8
Trust Units issued on exchange of B Units	4,924	0.1	(4,924)	(0.1)	—	—
Balance at February 25, 2009	61,863,064	843.1	18,742,233	342.7	80,605,297	1,185.8

Unitholders' capital decreased by $5.9 million for the twelve month period ended December 31, 2008, reflecting the 400,500 Trust Units that were repurchased and were pending cancellation as at December 31, 2007. These 400,500 Trust Units were cancelled during the first quarter of 2008. This cancellation was offset by $2.5 million of Trust Units issued in the period resulting from the exercise of options, $1.1 million of Trust Units issued through a private placement and $2.8 million MCLP Class B Units issued through a private placement. Each MCLP Class B Unit is exchangeable on a one for one basis for a Trust Unit.

Cash Distributions

	Years ended December 31	
($ millions)	2008	2007
Cash distributions declared to unitholders	$ **144.8**	$ 146.8
Cash flow from operating activities	**203.8**	212.4
Net income (loss)	**113.0**	(118.7)
Excess of cash flow from operating activities over cash distributions declared	**59.0**	65.6
Deficiency of net income (loss) over cash distributions declared	$ **(31.8)**	$ (265.5)

For the year ended December 31, 2008, the excess of cash flow from operating activities over cash distributions was $59.0 million compared to $65.6 million in 2007. The Fund had a deficiency of net income over cash distributions declared of $31.8 million for the year ended December 31, 2008, as compared to a deficiency of $265.5 million in 2007. In 2008, the deficiency was largely attributable to the Fund recording a non-cash $49.3 million unrealized loss on foreign exchange. In 2007, the deficiency was a direct result of recognizing an impairment of goodwill and intangible assets totaling $275.0 million, a non-cash item. Furthermore, income before recognizing the impact of the impairment of goodwill and intangible assets in 2007, income was $149.6 million, which was $2.8 million greater than cash distributions declared.

In 2008, the Fund declared distributions of $0.15 per unit per month or $1.80 per unit per year. In light of the current uncertain global economic environment, the Fund announced its intention to convert from an income trust to a corporation in 2009 and its intention to reduce its monthly distribution to $0.075 per unit per month for the months of January, February, and March 2009 and to then end distributions as an income trust resulting in total distributions of approximately $18.1 million in 2009.

There are restrictions limiting the amount of distributions under the Fund's Bank Credit facility which is outlined in the Capital Resources and Liquidity section on page 25.

Cumulative Cash Distributions

($ millions)	Six month Period ended December 31, 2005	Twelve month Period ended December 31, 2006	Twelve month Period ended December 31, 2007	Twelve month Period ended December 31, 2008	Total Since Inception
	$	$	$	**$**	$
Cash distributions declared to unitholders	38.2	124.0	146.8	**144.8**	453.8
Cash flow from operating activities	26.8	192.2	212.4	**203.8**	635.2
Net income (loss)	40.8	128.1	(118.7)	**113.0**	163.2
(Deficiency) excess of cash flow from operating activities over cash distributions declared	(11.4)	68.2	65.6	**59.0**	181.4
Excess (deficiency) of net income (loss) over cash distributions declared	2.6	4.1	(265.5)	**(31.8)**	(290.6)

Since the inception of the Fund, its cash flow from operating activities of $635.2 million has exceeded its cumulative distributions declared of $453.8 million by $181.4 million. During this same period there was a deficiency of net income over cash distributions declared totaling $290.6 million, which was almost entirely attributable to the non-cash impairment of goodwill and intangible assets of $275.0 million recognized in 2007. Cumulative net income before adjusting for the impairment of goodwill and intangible assets was $22.3 million less than cash distributions declared. The remaining deficiency is a result of cumulated non-cash unrealized foreign exchange losses totaling $30.2 million. For the twelve month period ended December 31, 2008, the $31.8 million deficiency of net income over cash distributions declared in 2008 was largely attributable to the Fund recording a non-cash unrealized foreign exchange loss of $49.3 million compared to a $26.6 million unrealized foreign exchange gain in 2007.

SUMMARY OF QUARTERLY RESULTS

The first quarter of the year traditionally has the highest revenue and net income. This is primarily due to the seasonality of a significant portion of the Fund's operations, which relate to the movement of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and the services provided such as conductor pipe-setting, core drilling and casing setting in northern and western Canada. The seasonality of the Fund's business follows the seasonal pattern of western Canada's oil and natural gas exploration which peaks in the winter months and declines during the spring. Wet weather and the spring thaw may make the ground unstable. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

Summary of Quarterly Results

(Unaudited)	2008			
($ millions except per unit amounts)	Q1	Q2	Q3	Q4
	$	**$**	**$**	**$**
Revenue	**358.1**	**249.1**	**352.2**	**354.8**
Operating income(1)	**83.6**	**34.6**	**73.9**	**81.2**
Income before impairment of goodwill and intangible assets	**49.8**	**19.9**	**36.2**	**7.1**
Net income	**49.8**	**19.9**	**36.2**	**7.1**
Earnings per unit				
Basic	**$0.62**	**$0.25**	**$0.45**	**$0.09**
Diluted	**$0.62**	**$0.25**	**$0.45**	**$0.09**
Funds from operations(1)	**77.9**	**28.9**	**67.4**	**72.0**
Funds from operations per unit(1)	**$0.97**	**$0.36**	**$0.84**	**$0.89**
Cash flow from operating activities	**3.3**	**111.9**	**19.5**	**69.1**
Cash flow from operating activities per unit	**$0.04**	**$1.39**	**$0.24**	**$0.86**

(Unaudited)	2007			
($ millions except per unit amounts)	Q1	Q2	Q3	Q4
	$	$	$	$
Revenue	365.7	218.9	261.3	273.6
Operating income(1)	86.7	24.7	48.3	49.4
Income before impairment of goodwill and intangible assets	58.3	16.6	38.0	36.7
Earnings per unit before impairment of goodwill and intangible assets	$0.71	$0.21	$0.46	$0.45
Impairment of goodwill and intangible assets	—	—	—	275.0
Net income (loss)	58.3	16.6	38.0	(231.6)
Earnings (loss) per unit				
Basic	$0.71	$0.21	$0.46	$(2.85)
Diluted	$0.71	$0.20	$0.46	$(2.85)
Funds from operations(1)	81.5	23.3	44.2	44.8
Funds from operations per unit(1)	$0.99	$0.29	$0.54	$0.56
Cash flow from operating activities	34.9	100.2	25.2	52.1
Cash flow from operating activities per unit	$0.43	$1.23	$0.31	$0.64

(1) Operating income, funds from operations and funds from operations per unit are non-GAAP terms described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

The decrease in revenue and operating income(1) in the first quarter of 2008, compared to 2007, reflects the decline in revenue in the Oilfield Services segment due to lower oil and gas drilling activity. Net income was affected by both lower operating income (1), interest expense, and to a greater extent, unrealized gains or losses on foreign exchange. Those gains or losses reflect the changes in converting the $235.0 million of long-term U.S. dollar debt to a Canadian equivalent. As the CDN. dollar weakens, the Fund records an unrealized loss on foreign exchange. As the CDN. dollars strengthens those losses reverse. In the fourth quarter interest expense increased due to the Fund utilizing a portion of its Bank Credit facility.

In the second quarter revenue increased in 2008 due to increased activity in both the Oilfield Services segment and the Trucking/Logistics segment. The Oilfield Services segment increased its operating results due to both an increased demand for the transportation of fluids and servicing of wells, and to the inclusion of the acquisitions of

Pro North and R.E. Line. These increases were partially offset by a decline in business activity related to oil and gas drilling activity. Revenue in the Trucking/Logistics segment increased as demand for its services increased. Net income was negatively affected by high interest expense and by a smaller unrealized gain on foreign exchange due to smaller changes in the exchange rate, compared to 2007.

Revenue and operating income [(1)] in both the third and fourth quarters increased. In the Oilfield Services segment the acquisition of Essential in July 2008 added to the revenue, as well as increased demand for other services provided by the segment. The Trucking/Logistics segment also experienced higher demand for its services in the third and fourth quarter, and both revenue and operating income [(1)] increased. Net income, before the impairment of goodwill and intangibles, was much lower in the second half of the year due to higher interest and to a $46.2 million unrealized loss on foreign exchange, as compared to a $12.8 million unrealized gain in 2007. Net income in 2007 was also impacted by a $275.0 million write down of goodwill and intangibles.

[(1)] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

FOURTH QUARTER FINANCIAL RESULTS

Revenue

Consolidated revenue was $354.8 million, an increase of $81.2 million, or 29.7 percent, from $273.6 million in 2007. The increase was due to higher revenue in both the Oilfield Services segment and the Trucking/Logistics segment. The revenue in the Oilfield Services segment increased by $73.2 million reflecting the addition of the New Businesses, which generated approximately $36.8 million of revenue, as well as revenue increases in nearly all the other business units in the segment. In the Trucking/Logistics segment all the business units experienced revenue increases due to the continued strong demand for transportation services in western Canada and to the strengthening of the U.S. dollar which resulted in increased revenue on U.S. dollar sales.

Q4 Consolidated Revenue
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**209.4**	**59.0**	156.2	57.1	53.2
Contractors	**143.4**	**40.4**	114.9	42.0	28.5
Other	**2.0**	**0.6**	2.5	0.9	(0.5)
Total	**354.8**	**100.0**	273.6	100.0	81.2

** as a percentage of total revenue*

Direct Operating Expenses

Direct operating expenses increased by $42.7 million or 22.3 percent, to $233.8 million from $191.1 million in 2007. The increase was mainly due to approximately $23.0 million of incremental costs associated with the New Businesses and to costs related to the increase in revenue. Wages, repairs and maintenance, and contracting costs were lower as a percentage of revenue due to the Fund's focus on cost controls and productivity improvements. Total direct operating expenses decreased to 65.9 percent of revenue, as compared to 69.8 percent in 2007 resulting in gross margin increasing to 34.1 percent in 2008 compared to 30.2 percent in 2007.

Q4 Consolidated Direct Operating Expenses
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**51.8**	**24.7**	40.9	26.2	10.9
Fuel	**18.7**	**8.9**	14.0	9.0	4.7
Repairs and maintenance	**27.4**	**13.1**	24.4	15.6	3.0
Operating supplies	**19.3**	**9.2**	15.9	10.2	3.4
Other	**11.0**	**5.3**	9.9	6.3	1.1
	128.2	**61.2**	105.1	67.3	23.1
Contractors	**105.6**	**73.6**	86.0	74.8	19.6
Total	**233.8**	**65.9**	191.1	69.8	42.7

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses increased to $39.8 million, up $6.7 million or 20.2 percent from $33.1 million in 2007. The increase was due to approximately $8.1 million of incremental costs associated with the New Businesses, partially offset by the foreign exchange gain of $2.2 million. S&A as a percent of revenue decreased to 11.2 percent of revenue, from 12.1 percent in 2007.

Q4 Consolidated Selling and Administrative Expenses
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Wages and benefits	**20.3**	**5.7**	15.9	5.8	4.4
Communications, utilities and general supplies	**10.5**	**3.0**	9.8	3.6	0.7
Profit share	**5.5**	**1.5**	1.3	0.5	4.2
Foreign exchange	**(2.2)**	**(0.6)**	1.6	0.6	(3.8)
Rent and other	**5.7**	**1.6**	4.5	1.6	1.2
Total	**39.8**	**11.2**	33.1	12.1	6.7

** as a percentage of total revenue*

Operating Income

Operating income(1) increased by $31.8 million or 64.4 percent, to $81.2 million from $49.4 million in 2007. The increase was due to a $23.8 million increase in the Oilfield Services segment and a $5.1 million increase in the Trucking/Logistics segment, as both segments experienced strong demand for their services. Operating income(1) was 22.9 percent of revenue in 2008, as compared to 18.1 percent in 2007, reflecting the effect of the Fund's cost controls and the more effective utilization of equipment.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Reconciliation of Operating Income to Net Income and Loss

Unaudited	Three Months ended December 31	
($ millions, except per unit amounts)	**2008**	**2007**
	$	$
Operating income[(1)]	**81.2**	49.4
Depreciation on property, plant and equipment	**(17.0)**	(14.9)
Amortization on intangible assets	**(4.7)**	(4.4)
Interest on long-term debt	**(8.3)**	(6.1)
Unrealized (loss) gain on foreign exchange	**(37.6)**	1.8
Unrealized loss on investments	**(2.1)**	—
Loss on sale of property, plant and equipment and investments	**(1.6)**	(0.8)
Provision for income taxes (recovery)	**(5.0)**	17.6
Earnings from equity investments	**2.2**	0.8
Impairment of goodwill and intangible assets	**—**	(275.0)
Net income (loss)	**7.1**	(231.6)
Earnings (loss) per unit - basic	**0.09**	$(2.85)

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Depreciation on Property, Plant and Equipment

In the fourth quarter 2008, depreciation on property, plant and equipment increased by $2.1 million to $17.0 million from $14.9 million in 2007. The Oilfield Services segment had an increase of $2.2 million, which was slightly offset by a $0.1 million decrease in the Trucking/Logistics segment. The increase in the Oilfield Services segment was primarily the result of additional depreciation being recorded on the $75.5 million of property, plant and equipment acquired from the transport division of Essential. Depreciation also increased due to capital expenditures made in business units leveraged to either the transportation of fluids and the servicing of wells, and infrastructure development located near Fort McMurray, Alberta. These increases were somewhat offset by a reduction in depreciation on property, plant and equipment utilized by business units dependent on oil and natural gas drilling activity in western Canada. The reduction in the amount of capital expenditures made by these business units coupled with the declining balance method of depreciation used by the Fund lowered the amount of depreciation expense recorded by these business units.

Amortization on Intangible Assets

Intangible assets are acquired on acquisitions and are mainly comprised of non-competition agreements and customer relationships' values which are amortized over their estimated life. Amortization on intangible assets was $4.7 million in 2008 compared to $4.4 million recorded in 2007. The increase was due to additional amortization of $1.0 million being recorded in 2008 resulting from the intangibles acquired on the acquisitions of the Essential, R.E. Line, M&L Trucking and the year over year variance in Pro North since this acquisition closed on October 31, 2007. This increase was offset by a reduction of $0.7 million resulting from the $25.0 million impairment that was recorded on December 31, 2007. This $25.0 million impairment lowered the annual amount of amortization expense being recorded in 2008. The impairment related to the intangible assets acquired in the 2006 acquisition of Producers whose operating business units were Formula Powell, Swanberg and Withers, which are in the Oilfield Services segment.

Interest on Long-Term Debt and Other Interest

Total interest expense in the fourth quarter increased by $2.2 million to $8.3 million in 2008 from $6.1 million in 2007. The increase is attributed to the Fund borrowing against its Bank Credit facility in 2008. The Fund borrowed against this facility during the quarter and was utilizing $64.2 million as at December 31, 2008. In 2007, the Fund did not borrow against this facility. Higher interest expense was also recorded on the U.S. denominated debt as a result of a stronger U.S. dollar compared to the CDN. dollar from 2007. These increases were partially offset by lower interest expense resulting from payments made on certain loans during the first three quarters of 2008 at certain business units. The Fund's debt-to-equity ratio at December 31, 2008 was 0.47:1 compared to 0.36:1 in 2007. The increase in the debt-to-equity ratio was due to a combination of the $64.2 million increase in long-term debt by virtue of borrowing against the facility and the additional $54.1 million increase in long-term debt due to a strengthening in the U.S. dollar by $0.23 on the Fund's $235.0 million U.S. dollar denominated debt.

Unrealized Gain and Loss on Foreign Exchange

(unaudited) *($ millions)*		U.S. $ Debt	Exchange Rate		CDN. $ Equivalent
September 30, 2008 - beginning balance	$	235.0	1.06	$	249.1
December 31, 2008		235.0	1.22		286.7
Net unrealized loss on foreign exchange in Q4 2008				$	(37.6)

For the quarter ended December 31, 2008, the Fund recorded an unrealized loss on foreign exchange of $37.6 million. This was due to the impact of the change over the quarter in the value of the CDN. dollar relative to the U.S. dollar on the Fund's U.S. dollar denominated debt. For the same period in 2007, the Fund recorded an unrealized gain on foreign exchange of $1.8 million, which was mainly due to the change in the relative value of the currencies and its effect on the Fund's U.S. denominated debt.

Unrealized Gain and Loss on Investment

For the quarter ended December 31, 2008, the Fund recorded an unrealized loss on an investment of $2.1 million reflecting a decline in the value of an investment from its original cost.

Loss on Sale of Property, Plant and Equipment

For the quarter ended December 31, 2008, the Fund sold $7.0 million of redundant equipment, resulting in a net loss of $1.6 million. This compares to the Fund selling $3.0 million of certain redundant equipment and under utilized property, resulting in a net loss of $0.7 million in 2007.

Income Taxes

(unaudited) ($ millions)	Three month period ended December 31 2008	2007
Income (loss) before income taxes and earnings from equity investments	**$ 10.0**	$ (250.0)
Income tax rate	**31%**	33%
Computed expected income tax expense (recovery)	**3.1**	(82.5)
Add (less):		
Impairment of goodwill	**—**	84.0
Tax related to income allocated to unitholders	**(9.0)**	(11.9)
Non-deductible unit-based compensation	**0.2**	0.2
Reduction of future tax balances to enacted income tax rate changes	**—**	(11.2)
Future tax adjustments on temporary differences in flow-through entities	**3.0**	—
Non-taxable portion of unrealized foreign exchange loss (gain)	**5.8**	(0.3)
Other	**1.9**	4.1
Provision for income taxes (recovery)	**$ 5.0**	$ (17.6)

For the three month period ended December 31, 2008, the Fund recorded an income tax expense of $5.0 million compared to an income tax recovery of $17.6 million in 2007. The $22.6 million year over year increase in the provision for income taxes was due to three main factors. Firstly, the most significant factor was due to the $260.0 million year over year increase in income (loss) before income taxes and earnings from equity investments. This increase combined with a 2.0 percent lowering of the income tax rate increased the computed expected income tax expense by $85.6 million to $3.1 million. The $85.6 million increase is mainly due to the $84.0 million of tax increase due to the non-taxable deduction related to the impairment of goodwill in 2007. Secondly, the Fund recorded an income tax recovery of $11.2 million in 2007 related to the reduction of future tax balances resulting from the Federal government's change to enacted income tax rates. Thirdly, the non-taxable portion of unrealized foreign exchange loss (gain) increased by $6.1 million to $5.8 million from a recovery of $0.3 million in 2007. This resulted by virtue of the foreign exchange loss of $37.6 million recorded in the fourth quarter of 2008 compared to a foreign exchange gain of $1.8 million in 2007.

Earnings from Equity Investments

Earnings from equity investments increased by $1.4 million to $2.2 million from $0.8 million in 2007. The increase resulted from additional earnings from Pe Ben USA due to greater revenue and demand for pipeline stockpiling and stringing activity in the U.S.

Impairment of Goodwill and Intangible Assets

As noted earlier on page 7 of this MD&A, for the year ended December 31, 2008, the Fund performed its annual impairment test of goodwill as well as tested intangible assets and concluded that the fair market value of both assets exceeded its carrying amount, thus a write-down was not required. In 2007, the Fund recorded an impairment of goodwill and intangible assets of $250.0 million and $25.0 million, respectively, which relates to the impairment in the Oilfield Services segment.

Net Income

(unaudited) ($ millions, except per unit amounts)		Three month period ended December 31 2008		2007
Net income (loss)	$	7.1	$	(231.6)
Impairment of goodwill and intangible assets		—		275.0
Future income tax effect on impairment of intangible assets		—		(6.7)
Income before impairment of goodwill and intangible assets		7.1		36.7
Earnings (loss) per unit	$	0.09	$	(2.85)
Earnings per unit before impairment of goodwill and intangible assets	$	0.09	$	0.45

Net income was $7.1 million, a decrease of $29.6 million, or 80.7 percent, from the $36.7 million in 2007 before the impairment of goodwill and intangibles. This resulted in earnings per unit declining to $0.09 from $0.45 in 2007. The $29.6 million decrease in income was primarily due to a $37.6 million unrealized loss on foreign exchange in 2008, compared to an unrealized gain of $1.8 million in 2007. Other factors which affected net income were a $2.1 million increase in depreciation, a $2.1 million increase in unrealized loss on investments, and a $2.1 million increase in interest expense on long-term debt. Those cost increases were partially offset by the $31.8 million increase in operating income(1).

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

SEGMENTED INFORMATION - FOURTH QUARTER RESULTS

(unaudited) Three month period ended December 31, 2008 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	233.4	123.8	(2.4)	354.8
Direct operating expenses	149.2	88.6	(4.0)	233.8
Selling and administrative expenses	29.2	11.0	(0.4)	39.8
Operating income (1)	55.0	24.2	2.0	81.2

(unaudited) Three month period ended December 31, 2007 ($ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	160.2	113.7	(0.3)	273.6
Direct operating expenses	108.7	84.8	(2.4)	191.1
Selling and administrative expenses	20.3	9.8	3.0	33.1
Operating income (1)	31.2	19.1	(0.9)	49.4

(1) *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

OILFIELD SERVICES SEGMENT

Revenue

This segment generated 65.3 percent of pre-consolidated revenue for the quarter as compared to 58.5 percent in 2007. Revenue increased by $73.2 million, to $233.4 million from $160.2 million in 2007. The increase was due to the addition of the New Businesses to the segment, which added approximately $36.8 million, and to a year over year increase in revenue in all the other business units.

Q4 Revenue - Oilfield Services
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**163.9**	**70.2**	114.6	71.5	49.3
Contractors	**68.0**	**29.1**	44.8	28.0	23.2
Other	**1.5**	**0.7**	0.8	0.5	0.7
Total	**233.4**	**100.0**	160.2	100.0	73.2

** as a percentage of total revenue*

Direct Operating Expenses

Direct operating expenses increased by $40.5 million or 37.3 percent, to $149.2 million from $108.7 million in 2007. The increase was due to approximately $23.0 million of costs incurred by the New Businesses and the costs associated with the revenue increases experienced by all the other business units. The direct operating expenses related to Company Equipment increased to $99.4 million, or 60.6 percent of Company revenue. Direct operating expenses were 60.6 percent of Company revenue in 2008, compared to 65.8 percent in 2007, reflecting lower wages, fuel, and repairs and maintenance as a percent of revenue. Contractors costs increased by $16.5 million to $49.8 million, reflecting the extra costs associated with the $23.2 million increase in Contractors revenue. Contractors costs, as a percent of contractor revenue, was 73.2 percent in 2008, compared to 74.3 percent in 2007. Total direct operating costs were 63.9 percent of revenue in 2008 compared to 67.9 percent in 2007.

Q4 Direct Operating Expenses - Oilfield Services
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**43.7**	**26.7**	32.5	28.4	11.2
Fuel	**14.5**	**8.8**	10.7	9.3	3.8
Repairs and maintenance	**21.8**	**13.3**	18.4	16.1	3.4
Operating supplies	**12.6**	**7.7**	9.2	8.0	3.4
Other	**6.8**	**4.1**	4.6	4.0	2.2
	99.4	**60.6**	75.4	65.8	24.0
Contractors	**49.8**	**73.2**	33.3	74.3	16.5
Total	**149.2**	**63.9**	108.7	67.9	40.5

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses increased by $8.9 million to $29.2 million, from $20.3 million in 2007. The $8.9 million increase was due to approximately $5.9 million of S&A expenses associated with the New Businesses, and higher profit share. As a percent of revenue, S&A expenses were 12.5 percent, compared to 12.7 percent in 2007, reflecting the Fund's efforts to reduce S&A expenses.

Q4 Selling and Administrative Expenses - Oilfield Services
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Wages and benefits	**13.0**	**5.6**	9.0	5.6	4.0
Communications, utilities and general supplies	**6.7**	**2.9**	6.3	4.0	0.4
Profit share	**5.9**	**2.5**	2.6	1.6	3.3
Rent and other	**3.6**	**1.5**	2.4	1.5	1.2
Total	**29.2**	**12.5**	20.3	12.7	8.9

** as a percentage of total revenue*

Operating Income

Operating income(1) increased by $23.8 million, or 76.3 percent, to $55.0 million from $31.2 million in 2007. The increase was due to the operating income(1) generated by the New Businesses, as well as increased operating income(1) in nearly all the other business units associated with their higher revenue. Operating income(1) was 23.6 percent of revenue in 2008, compared to 19.5 percent in 2007, reflecting higher margins due to a reduction in direct operating expenses and S&A, as a percent of revenue.

(1) Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.

Capital Expenditures

For the three month period ended December 31, 2008, the segment invested $9.9 million in net capital expenditures, the majority of which was allocated to new equipment needed to meet customer demands especially in relation to the business units operating within the oilsands projects near Fort McMurray, Alberta, as well as those tied to the transportation of fluids. Gross expenditures were $14.6 million, which were offset by $4.7 million of dispositions.

TRUCKING/LOGISTICS SEGMENT

Revenue

This segment generated 34.7 percent of pre-consolidated revenue, compared to 41.5 percent in 2007. The percent decrease was due to the higher rate of growth in business in the Oilfield Services segment. Revenue increased by $10.1 million or 8.9 percent, to $123.8 million, from $113.7 million in 2007. Revenue increased in all the business units due to the strong demand for services in western Canada, as well as the impact of the strong U.S. dollar on U.S. dollar sales.

Q4 Revenue - Trucking/Logistics
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company	**45.7**	**36.9**	41.6	36.6	4.1
Contractors	**77.9**	**62.9**	71.8	63.1	6.1
Other	**0.2**	**0.2**	0.3	0.3	(0.1)
Total	**123.8**	**100.0**	113.7	100.0	10.1

** as a percentage of total revenue*

Direct Operating Expenses

Direct operating expenses increased to $88.6 million, up $3.8 million or 4.5 percent, from $84.8 million in 2007. The increase in costs was mainly due to costs associated with the increased revenue. Company costs declined by $0.2 million and were 66.3 percent of Company revenue in 2008, compared to 73.3 percent in 2007, reflecting the efficient utilization of Company Equipment, as well as lower wages and repairs and maintenance, partially offset by a $0.7 million increase in fuel costs reflecting higher diesel fuel prices year over year. Contractors costs, as a percent of revenue, were 74.8 percent, down from 75.6 percent in 2007, reflecting better use of subcontractors in certain business units. Total direct operating costs were 71.6 percent of revenue in 2008, compared to 74.6 percent in 2007.

Q4 Direct Operating Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2008**		2007		Change
	$	**%***	$	%*	$
Company					
Wages and benefits	**8.1**	**17.7**	8.4	20.2	(0.3)
Fuel	**4.1**	**9.0**	3.4	8.2	0.7
Repairs and maintenance	**5.7**	**12.5**	6.0	14.4	(0.3)
Operating supplies	**6.7**	**14.7**	6.7	16.1	—
Other	**5.7**	**12.4**	6.0	14.4	(0.3)
	30.3	**66.3**	30.5	73.3	(0.2)
Contractors	**58.3**	**74.8**	54.3	75.6	4.0
Total	**88.6**	**71.6**	84.8	74.6	3.8

** as a percentage of respective revenue*

Selling and Administrative Expenses

S&A expenses increased by $1.2 million to $11.0 million from $9.8 million. The increase was primarily attributable to higher profit share resulting from increased operating income[1], which was partially offset by a $2.0 million gain in foreign exchange in 2008 compared to a $0.2 million gain in 2007. The increased gain in foreign exchange was due to the strengthening in the U.S. dollar, relative to the CDN. dollar. S&A expenses were 8.9 percent of revenue in 2008, compared to 8.6 percent in 2007, primarily due to the increase in profit share.

Q4 Selling and Administrative Expenses - Trucking/Logistics
(unaudited)

($ millions)	**2008**		2007		Change
	$	%*	$	%*	$
Wages and benefits	**6.0**	**4.8**	5.8	5.1	0.2
Communications, utilities and general supplies	**2.9**	**2.3**	2.8	2.5	0.1
Profit share	**3.4**	**2.7**	0.9	0.8	2.5
Foreign exchange	**(2.0)**	**(1.6)**	(0.2)	(0.2)	(1.8)
Rent and other	**0.7**	**0.5**	0.5	0.4	0.2
Total	**11.0**	**8.9**	9.8	8.6	1.2

** as a percentage of total revenue*

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

Operating Income

Operating income[1] increased by 26.7 percent to $24.2 million, from $19.1 million in 2007. The $5.1 million increase was mainly due to the increased volume of business and lower direct operating expenses as a percent of revenue. As a result, operating income[1], as a percent of revenue, was 19.5 percent as compared to 16.8 percent in 2007.

[1] *Operating income is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

Capital Expenditures

For the period, the segment invested $1.3 million in net capital expenditures, which was used to purchase additional trucks and trailers to replace older equipment and to meet customer demands. Gross expenditures were $3.8 million which were offset by $2.5 million of dispositions.

CORPORATE

For the period, the Corporate Head Office generated miscellaneous revenue of $0.3 million and had a net recovery of administrative expenses of $1.7 million which resulted in an operating gain of $2.0 million. The net recovery of administrative expense was due to the Head Office paying out less profit share than what was charged to the operating business units. In 2007, revenue was $1.4 million and net administrative expenses were $2.2 million, for an operating loss of $0.8 million. The decrease in revenue in 2008 was due to less cash on hand compared to 2007, therefore less interest income was generated.

CAPITAL RESOURCES AND LIQUIDITY – FOURTH QUARTER RESULTS

Sources and Uses of Cash

(unaudited)	Three month period ended December 31	
($ millions)	2008	2007
Cash, beginning of period	**$ —**	$ 111.6
Sources of cash:		
Funds from operations[(1)]	**72.0**	44.8
Proceeds of long-term debt	—	2.0
Proceeds from Trust Unit issuances	—	0.2
Changes in non-cash working capital items	—	7.3
Cash distribution from equity investee	**4.8**	3.1
Proceeds from sale of investments	**0.5**	—
Other assets	**0.2**	3.1
Total sources	**77.5**	60.5
Uses of cash:		
Changes in non-cash working capital items	**2.9**	—
Distributions paid	**36.2**	36.7
Acquisitions	**1.0**	9.5
Net property, plant and equipment additions	**14.6**	19.1
Repayment of long-term debt	**18.8**	0.9
Repurchase of Trust Units	—	19.2
Cheques issued in excess of cash	**3.7**	—
Purchase of investments	—	7.5
Total usage	**77.2**	92.9
Increase in cash	**0.3**	32.4
Cash, end of period	**$ 0.3**	$ 79.2

(1) *Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

For the three month period ended December 31, 2008 funds from operations [1] increased by $27.2 million, or 60.7 percent, to $72.0 million from $44.8 million in 2007. This equates to $0.89 per unit compared to $0.55 per unit in 2007. The increase was mainly due to the improved operating results from both the Oilfield Services segment and the Trucking/Logistics segment. The funds from operations[1] were supplemented by $4.8 million of cash from an equity investee, and $0.7 million from the sale of investments and other assets.

Cash was used to finance $2.9 million of non-cash working capital items, pay $36.2 million of distributions to unitholders, complete a small acquisition for $1.0 million, pay $14.6 million for net property, plant and equipment, repay $18.8 million of long-term debt, and to fund $3.7 million of cheques issued in excess of cash.

Cash flow from operating activities increased to $69.1 million in 2008, from $52.1 million in 2007. The increase was due to improved funds from operations[1] which was reduced by $2.9 million of non-cash working capital items, compared to 2007 when the funds from operations[1] were supplemented by $7.3 million of funds generated from non-cash working capital items.

[1] *Funds from operations is a non-GAAP term described in the Glossary of Terms and Non-GAAP Terms beginning on page 53 of this MD&A.*

Cash Distributions

(unaudited) *($ millions)*	Three month period ended December 31 2008		2007	
Cash distributions declared to unitholders	$	**36.3**	$	36.6
Cash flow from operating activities		**69.1**		52.1
Net income (loss)		**7.1**		(231.6)
Excess of cash flow from operating activities		**32.8**		15.5
Deficiency of net income (loss) over cash distributions declared	$	**(29.2)**	$	(268.2)

For the three month period ended December 31, 2008, the Fund had a $32.8 million excess of cash flow from operating activities over cash distributions declared, compared to an excess of $15.5 million in 2007. Distributions have been funded by cash flow from operating activities.

In 2008 the Fund had a deficiency of $29.2 million when comparing net income over cash distributions declared. The deficiency was primarily due to the $37.6 million of non-cash unrealized loss on foreign exchange related to the $235.0 million of U.S. dollar denominated debt. In 2007 the Fund had a $268.2 million deficiency of income over cash distributions declared, which was primarily due to the $275.0 million non-cash impairment of goodwill and intangibles.

There are restrictions limiting the amount of distributions under the Fund's Bank Credit facility which is outlined in the Capital Resources and Liquidity section on page 25.

TRANSACTIONS WITH RELATED PARTIES

In 2008, the Fund generated revenue of $10.2 million (2007 - $14.1 million) from transportation services related to the oil and natural gas industry in western Canada to customers related by either common director or by equity investment. Specifically, the Fund recorded revenue of $8.7 million to several customers related by common director mostly for drilling rig relocation services as well as some general oilfield hauling. Also, the Fund recorded revenue of $1.5 million from two customers related by equity investment mostly for the transportation of pipe and some oilfield fluid hauling.

In 2008, the Fund incurred expenses for transportation services of $1.1 million (2007 - nil) which related to operations within the Oilfield Services segment. Of these services, $0.4 million related to drilling rig relocation services with companies related by common director. Another $0.7 million of these expenses related to the transportation of oilfield fluids with a company related by equity investment. Other expense of $1.3 million (2007 - $0.9 million) related to building rent to a private company owned or controlled by a director of the Fund. In 2007, the Fund purchased $3.5 million of land and buildings from a company owned or controlled by a director of the Fund at the current market rates at that time.

At December 31, 2008, the Fund had accounts receivable of $4.7 million (2007 - $1.0 million) outstanding, of which $3.0 million was receivable from two companies related by equity investment and $1.7 million was due from companies related by common director.

All of the transactions noted above occurred in the normal course of operations with terms consistent with those offered to arm's length parties and are measured at the exchange amount. Other than a lease agreement which expires in 2010 on building rent, the Fund has no long-term contracts with any related party.

PROPOSED TRANSACTION

On January 13, 2009, the Fund announced its intention to convert from an income trust to a growth-orientated corporation (the "Conversion"). The Board, based on its review, unanimously approved the proposed Conversion. The Board concluded that the Conversion is in the best interests of Mullen and its holders of Trust Units and the holders of MCLP Class B Units (collectively, "Securityholders") and unanimously recommended that Securityholders vote their Mullen Trust Units and MCLP Class B Units in favour of the Conversion. The Securityholders will receive one common share of a newly formed corporation ("New Mullen") for each Mullen Trust Unit or MCLP Class B Unit. The final result of the Conversion will be that New Mullen will have approximately 80.6 million issued and outstanding common shares. The Conversion is subject to receipt of all required approvals, including court, stock exchange, regulatory and bank and approval by at least 66⅔ percent of the votes cast by Securityholders of Mullen, voting together as a single class.

A management proxy circular will be mailed to Securityholders in late March in connection with the Conversion and other matters to be considered at an annual and special meeting of the Fund to be held in late April 2009. The Fund expects, subject to receipt of required approvals, that the Conversion will be effective by May 1, 2009.

BUSINESS RISKS AND UNCERTAINTIES

General

Certain activities of the Fund are affected by factors that are beyond its control or influence. The transportation business and activities of the Fund are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States, and the value of the CDN. dollar as compared to the U.S. dollar. The Oilfield Services segment is directly affected by fluctuations in the levels of oil and gas drilling activity, oilsands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies.

Oil and Natural Gas Drilling Activity

A significant portion of the Fund's revenue and operating profit are related to oil and natural gas drilling activity in western Canada. As a service provider to the oil and gas industry the Fund is highly reliant on levels of capital expenditures made by oil and gas producers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. Oil and gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect those factors. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for the Fund's services. A significant, prolonged decline in commodity prices could have a material adverse effect on the Fund's Oilfield Services segment, results of operations and financial condition.

Cost Escalation

Cost escalations due to rising costs, effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which the Fund has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in transportation rates or contractual surcharges, or disruptions in fuel supply, would reduce profitability and could adversely affect the Fund's ability to maintain distributions. The Fund cannot predict the impact of future economic conditions and there is no assurance that the operations of the Fund will continue to be profitable.

Fuel Prices

One of the Fund's largest operating expenses is fuel and as such higher fuel prices could materially affect the Fund's results. The Fund mitigates this exposure to rising costs through the implementation of various fuel surcharge programs which pass the majority of the cost increase to its customers. As a result, fuel expense as a percentage of revenue, net of fuel surcharge, increased from 7.6 percent of Company revenue in 2007 to 9.5 percent of Company revenue in 2008.

Credit Risk

Substantial portions of the Fund's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. The Fund's top ten customers are all well-known, publicly-traded companies.

Competition

The various business segments in which the Fund participates are highly competitive. The Fund competes with several large companies in the transportation and energy services industry that have greater financial and other resources than the Fund. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Fund or that new competitors will not enter the various markets in which the Fund is active. In certain aspects of its business, the Fund has competitive advantages such as lower overhead costs and specialized regional strengths.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of the Fund to compete and expand will be dependent on the Fund having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although the Fund has

individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, the Fund's ability to compete may be impaired. The Fund is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers cease, the availability and cost of securing certain equipment and parts may be adversely affected.

Changes in Legislation

There can be no assurance that income tax laws, such as the status of mutual fund trusts and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry, will not be changed in a manner which adversely affects unitholders (refer to Mutual Fund Trust Status).

There can be no assurance that the laws, regulations or rules governing the Fund's customers will not be changed in a manner which adversely affects the Fund's customers and, therefore, the Fund. During 2007 such occurred by virtue of the Alberta government's decision to change the royalty regime governing the oil and gas industry in Alberta. This decision could adversely affect drilling activity in Alberta in future years.

Environmental and applicable operating legislation may be changed in a manner which adversely affects unitholders.

Unitholder Limited Liability

The declaration of trust provides that no unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and, in the event that a court determines unitholders are subject to any such liabilities, the liabilities will be enforceable only against the Fund, and will be satisfied only out of the Fund's assets. Pursuant to the declaration of trust, the Fund will indemnify and hold harmless each unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a unitholder resulting from or arising out of such unitholder not having such limited liability.

The declaration of trust provides that all written instruments signed by or on behalf of the Fund must contain a provision to the effect that obligations under those instruments will not be binding upon unitholders personally. Personal liability may however arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

The *Income Trusts Liability Act* (Alberta) provides that a unitholder will not, as a beneficiary, be liable for any act, default, obligation or liability of the Trustee that arises after the legislation came into force. However, this legislation has not yet been ruled on by the courts.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the unitholders for claims against the Fund, including by obtaining appropriate insurance, where available and to the extent commercially feasible.

Mutual Fund Trust Status

It is intended that the Fund qualify at all times as a mutual fund trust for the purposes of the Tax Act. The Fund may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Fund as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Fund and unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- Where at the end of any month a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan ("RESP") or deferred profit sharing plan (collectively, "Exempt Plans") holds units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1.0 percent of the fair market value of the units at the time such units were acquired by the Exempt Plan. An RRSP or RRIF holding units that are not qualified investments would become taxable on income attributable to the units while they are not qualified investments (including the entire amount of any capital gain arising on a disposition of the non-qualified investment). RESPs which hold units that are not qualified investments may have their registration revoked by the CRA; the Fund would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain unitholders, including non-resident persons and residents of Canada who are exempt from Part I tax;

- the Fund would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws; and

- units would become taxable Canadian property. As a result, non-resident unitholders would be subject to Canadian income tax on any gains realized on a disposition of units held by them, subject to relief under an applicable tax convention. In addition, the Fund may take certain measures in the future to the extent the Fund believes such measures are necessary to ensure the Fund maintains its status as a mutual fund trust. These measures could be adverse to certain holders of units.

On June 22, 2007 the Government of Canada enacted a new tax on distributions from SIFT entities. This enactment has triggered the recognition of future income tax assets and liabilities expected to reverse after January 1, 2011. The effect of the income tax increase on the SIFT entities future income tax balances in the Fund has been reflected as a future income tax expense in 2007 and 2008.

Non-resident Ownership of Units

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the Tax Act. The declaration of trust provides that if at any time the Fund or MGI becomes aware that the activities of the Fund and/or ownership of Trust Units by non-residents may threaten the status of the Fund under the Tax Act as a "unit trust" or a "mutual fund trust", the Fund, by or through MGI on the Fund's behalf, is authorized to take such action as may be necessary in the opinion of MGI to maintain the status of the Fund as a "unit trust" or a "mutual fund trust". See "declaration of trust and Description of Units – Limitation on Non-Resident Ownership" in the Arrangement Circular.

Income Tax Matters

Generally, income trusts (including the Fund) involve significant amounts of inter-company debt, royalties or similar instruments, generating substantial interest expense or other deductions which serve to reduce taxable income and income tax payable. Although the Fund is of the view that all expenses to be claimed by the Fund, MHT, MCLP and MT will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties will have been correctly determined, there can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense and other deductions. If such a challenge were to succeed it could materially adversely affect the amount of distributions available to the Fund. The Fund and MGI believe that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of certain debt issued by MT to MCLP.

Employees and Labour Relations

The success of the Fund is dependent upon the Fund's key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Fund. The ability of the Fund to expand its services will be dependent upon the Fund's ability to attract additional qualified employees which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified drivers and owner-operators could also have a material adverse affect on the profitability of the Fund.

The largest components of the Fund's overall expenses are salary, wages, benefits and costs of Contractors. Any significant increase in these expenses could impact the financial results of the Fund. In addition, the Fund is at risk if there are any labour disruptions. Some of the Fund's business units are subject to collective agreements with their employees. Any work stoppages or unbudgeted or unexpected increases in compensation could have a material adverse affect on the Fund's profitability and reduce cash available for distribution to unitholders.

The Fund believes that it has fostered a positive working relationship with its employees and Contractors. By creating a positive working environment, built on the tenets of quality, and by providing incentive-based profit share the Fund believes its ability to attract and retain employees is higher than the rest of the industry.

Environmental Liability Risks

Certain of the Fund's subsidiaries routinely deal with natural gas, oil and other petroleum products. The Fund has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Fund's procedures will prevent environmental damage occurring from spills of materials handled by the Fund or that such damage has not already occurred.

Canadian laws generally impose potential liability to the present or former owners or occupants of properties on which contamination has occurred. Although the Fund is not aware of any contamination, which if remediation or clean up were required, would have a material adverse effect on the Fund, there can be no assurance that the Fund will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by current or future environmental laws.

Potential Operating Risks and Insurance

The Fund has an insurance and risk management program in place to protect its assets, operations and employees. The Fund also has programs in place to address compliance with current safety and regulatory standards. The Fund has a health and safety coordinator in each operating subsidiary responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Vice President, Safety and Loss Prevention of MGI, who reports directly to the Chief Executive Officer of MGI. However, the Fund's Oilfield Services' operations are subject to risks inherent in the oil and gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose the Fund to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. In addition, the Fund's transportation operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other things, personal injury or property damage arising from motor vehicle accidents.

Although the Fund has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Fund's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Fund were to incur substantial liability and such damages were not covered by insurance or were

in excess of policy limits, or if the Fund were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Capital Expenditures

The timing and amount of capital expenditures by the Fund will directly affect the amount of cash available for distribution to unitholders.

Reliance on Major Customers

The top 10 customers of the Fund accounted for approximately 32.5 percent of the Fund's revenue for the year ended December 31, 2008 and the largest customer accounted for approximately 5.9 percent of such revenue. There can be no assurance that the Fund's current customers will continue their relationships with the Fund. The loss of one or more major customers, or any significant decrease in transportation services or oilfield services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on the profitability of the Fund, and as a result, the amount of cash available for distribution to unitholders.

Regulation

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry, each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. Changes in regulations applicable to the Fund could increase operating costs and have a material adverse effect on the Fund's operations and financial condition.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although the Fund is committed to compliance and safety through its operational excellence initiatives, there is no assurance that the Fund will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, the Fund could be required to incur significant costs to maintain or improve its compliance record.

Access to Additional Financing

The Fund may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Fund when needed or on terms acceptable to the Fund which could limit the Fund's growth and may have a material adverse effect upon the Fund.

Interest Rates

At December 31, 2008 the Fund's private placement debt was financed at fixed rates ranging from 5.47 percent to 6.39 percent which matures in 2016 to 2018 which protects it from any interest rate increases. The Fund's Bank Credit facility has a floating interest rate; therefore, to the extent the Fund utilizes this facility it has a risk of interest rates rising. At December 31, 2008, the Fund was utilizing $64.2 million of the Bank Credit facility to finance working capital requirements resulting mainly from the increase in accounts receivable associated with the Essential acquisition. To the extent that the floating interest rate increases, it may impact how the Fund utilizes this facility in the future, which could impact the growth of the Fund. The Fund does not utilize this facility for the purposes of paying distributions to unitholders. In light of the current uncertain global economic environment, the Fund announced its intention to convert from an income trust to a corporation in 2009 and also

intends to reduce its monthly distribution to $0.075 per unit per month for the months of January, February, and March 2009 and to then end distributions as an income trust resulting in total distributions of approximately $18.1 million.

Foreign Exchange

The Fund faces foreign exchange risk associated with changes in the value of the CDN. dollar against the U.S. dollar, as $235.0 million of its debt is repayable in U.S. funds. This risk is partially offset by the fact that the Fund generates surplus U.S. funds in its operations.

Weather and Seasonality

Harsh weather conditions can impede the movement of goods and increase the operating costs for the materials that can be transported, which can have a material adverse effect on the Fund's cash flow and, as a result, cash available for distribution to unitholders.

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Fund. The Fund mitigates some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Fund makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that the Fund can focus its efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of the Fund.

CRITICAL ACCOUNTING ESTIMATES

The Fund has to make several critical accounting estimates as detailed below:

(1) Goodwill and Intangible Assets

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. At December 31, 2008, the Fund performed its annual impairment test for goodwill and concluded that there was no impairment loss in either of the Fund's reportable segments. At December 31, 2007, the Fund recorded an impairment of goodwill of $250.0 million. The impairment related to the goodwill

acquired with the Producers acquisition, whose operating business units are Formula Powell, Swanberg and Withers which are in the Oilfield Services segment, where the carrying value of goodwill exceeded its fair value. The Fund's Trucking/Logistics segment had no impairment as the fair values of the segment exceeded their carrying values.

Intangible assets are mainly comprised of non-competition agreements and customer relationships and are amortized over their estimated life. At December 31, 2008, the Fund performed an impairment test for intangible assets and concluded that there was no impairment loss at any of the Fund's business units. At December 31, 2007, the Fund recorded an impairment of intangible assets totaling $25.0 million. The impairment related to the intangible assets acquired with the Producers acquisition whose operating business units are Formula Powell, Swanberg and Withers, which are in the Oilfield Services segment, where the carrying value of intangible assets exceeded its fair value. There were no indications of impairment in the Fund's other business units as the fair values of those business units exceeded their carrying values.

(2) Depreciation

The method of calculating depreciation expense is an estimate. The Fund considers its method and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last 10 years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time.

(3) Bad Debt Expense

The Fund regularly reviews accounts receivables and sets up a reserve for bad debts on a customer-by-customer basis. This is an estimate as some of the reserved accounts may subsequently be collected whereas some accounts currently deemed collectible, may become uncollectible. The Fund considers its reserve of $3.1 million against total gross accounts receivable of $248.4 million at the end of December 31, 2008 to be reasonable.

(4) Unit-based Compensation

The Fund applied the fair value method of all stock-based or unit-based options and awards. The Fund follows certain weighted average assumptions that are acceptable under GAAP to determine the fair value of these options on the date of grant. In 2008, the Fund recorded unit-based compensation expense of $2.8 million.

Financial Instruments

At December 31, 2008, the Fund's financial assets and liabilities consisted primarily of property, plant and equipment, goodwill, accounts receivable, accounts payable and long-term debt. The Fund is exposed to certain credit, liquidity, and market risks associated with its financial assets and liabilities. Management has established certain policies and procedures with which it follows to mitigate this risk and continually monitors the Fund's exposure to all significant risks to assess the impact on its operating activities. The Fund does not hold or use any derivative instruments for trading or speculative purposes.

Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers and investment securities.

The Fund's main exposure to credit risk relates to the $245.3 million of accounts receivable outstanding at December 31, 2008 and is influenced mainly by the individual characteristics of each customer. The demographics of the Fund's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. However, geographically there is no concentration of credit risk given the wide variety of freight and broad customer base which spans numerous industries. No customer accounted for more than ten percent of the Fund's revenue in 2008. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Fund extends credit. The Fund establishes an allowance for doubtful accounts that represent its estimate of potential losses in respect of trade and other receivables. The main component of this allowance is a specific provision that relates to individually significant exposures. At December 31, 2008, the Fund's allowance for doubtful accounts totaled $3.1 million.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Typically the Fund ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, excluding interest payments and the impact of any option to purchase equipment at the end of the term:

December 31, 2008	Carrying amount	Contractual cash flows	3 months or less	2009 - 2010	2011- 2012	Thereafter
Private placement	444,822	444,822	—	—	—	444,822
Bank Credit facility	64,240	64,240	—	64,240	—	—
Mortgage facility	4,610	4,610	81	513	3,734	282
Financing and other loans	4,255	4,255	596	2,836	736	87
Term loan	3,518	3,518	232	1,183	1,323	780
Operating leases	37,800	37,800	3,951	22,370	7,995	3,484
Trade and other payables	109,946	109,946	109,946	—	—	—
Total	669,191	669,191	114,806	91,142	13,788	449,455

The Fund maintains a strong liquidity position with a working capital surplus of $152.4 million and has a Bank Credit facility with $85.8 million of unused lines available at December 31, 2008. This facility is due for renewal in June 2009. The Fund has long-term debt of $521.4 million, the majority of which does not begin to mature until 2016.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchanges rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) *Currency risk*

The Fund has U.S. $235.0 million in Senior Guaranteed Unsecured Notes which exposes the Fund to foreign currency fluctuations. Interest on these borrowings is denominated in U.S. and is also exposed to foreign currency fluctuations.

The Fund is exposed to currency risk on sales, purchases and loans that are denominated in U.S. funds.

(ii) *Interest rate risk*

The Fund manages its interest rate risk through a combination of fixed and floating rate borrowings. In the short-term, the Fund is exposed to fluctuations in floating interest rate terms on the Bank Credit facility. In the long- term, the Fund is susceptible to interest rate decreases as the interest rate on long-term debt is fixed. The interest rate on the Fund's long-term debt is fixed at rates ranging between 5.47 percent and 6.39 percent.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862; "Financial Instruments - Disclosure", 3863; "Financial Instruments - Presentation", 1535; "Capital Disclosures" and 3031; "Inventories". Adjustments to the consolidated financial statements for the year ended December 31, 2008 have been made in accordance with the transitional provisions for these new standards. Certain information related to comparative years is not prescribed by these standards and accordingly the prior year has not been restated.

CICA Handbook Sections 3862 "Financial Instruments – Disclosure" and 3863 "Financial Instruments – Presentation", which replaced Section 3861 "Financial Instruments – Disclosure and Presentation", prescribes the requirements for presentation and disclosure of financial instruments. Certain information related to comparative years is not prescribed by these standards and accordingly the prior year has not been restated.

CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Fund's objectives, policies and processes for managing capital.

Handbook Section 3031 "Inventories" prescribes the recognition, measurement, disclosure and presentation issues related to inventories. The standard includes guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory cost. Inventory is measured at the lower of cost or net realizable value. In accordance with Section 3031, the Fund has classified spare parts and inventory for resale as inventories as at December 31, 2008.

Future Changes in Accounting Policies

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Fund for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Fund began planning the transition from current Canadian GAAP to IFRS, in 2008, by establishing a project plan and a project team. The project team is led by senior finance members that provide overall project governance, management and support. Members also include representatives from various areas of the organization as necessary and external advisors that have been engaged to assist in the IFRS conversion project. The team reports quarterly to the Audit Committee of the Fund.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation. The Fund has completed the initial assessment phase which included the development of a

detailed timeline, the completion of a high level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. The initial assessment also included education and training sessions for project team members and discussions with the Fund's external auditors and advisors.

The Fund is now engaged in the detailed assessment and design phase. The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the implementation phase, the Fund will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting.

The Fund continues to assess the financial reporting impacts of converting to IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable.

Goodwill and Intangible Assets

In February 2008, CICA issued Section 3064, Goodwill and Intangible Assets. Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior-period financial statements will be required. The Fund has not assessed the impact of this standard.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the Fund's first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with IFRS. The Fund has not assessed the impact of this standard.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO"), the Co-Chief Executive Officer ("Co-CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As of December 31, 2008, the CEO, the Co-CEO and the CFO together with the Fund's management have evaluated the design and effectiveness of the Fund's disclosure controls and procedures ("DC&P") and have concluded that they are not effective due to the weaknesses discussed in internal control over financial reporting below. Our DC&P have been designed to provide reasonable assurance that material information relating to Mullen is made known to them by others and that information required to be disclosed by Mullen in it annual filings, interim filings or other reports filed or submitted by Mullen under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Management has also designed internal controls over financial reporting and have conducted an evaluation of those controls.

The Fund, due to its corporate structure, decentralized operations and strategy of growth through acquisition, does have weaknesses in its internal control over financial reporting. These weaknesses include:

- in certain business units there is a weakness in regards to segregation of duties. This weakness is addressed by management and senior executive overview. In addition, the Fund will, where practicable, make the necessary changes to improve the segregation of duties.

- the complex structure of the Fund and its decentralized operations raises a risk of misstatements due to the handling of complex and non-routine accounting and tax related transactions. Management and board reviews are utilized to mitigate these risks but there is no guarantee that a material misstatement would be prevented. The Fund will attempt to remediate this weakness by utilizing outside consultants with the appropriate expertise when the need arises or by developing in-house expertise or recruiting the necessary personnel with the expertise.

These weaknesses identified did not result in any adjustments to the Fund's annual or interim financial statements for the 2008 fiscal year or any prior period. In spite of these weaknesses, the CEO, the Co-CEO and the CFO have concluded, as of the date hereof, that the Fund's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Fund has not made any changes in its internal control over financial reporting that would materially affect, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

Because of their inherent limitations, DC&P and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The audited annual consolidated financial statements attached to and referred to in this MD&A are prepared according to GAAP. References to operating income, funds from operations and funds from operations per unit are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these indicators should not replace net income or cash flow from operating activities as indicators of GAAP performance.

Operating Income

Operating income is defined as net income before interest, income taxes, depreciation on property, plant and equipment, amortization on intangible assets, earnings or losses from equity investments, unrealized gains or losses on foreign exchange and investments, and gains or losses on sale of property, plant and equipment and investments. Management relies on operating income as a measurement as it provides an indication of the results generated by the Fund's principal business activities and the performance of its operations prior to depreciation and amortization, financing, or taxation in various jurisdictions. Net income is also an indicator of financial performance, however, net income includes expenses that are not a direct result of the Fund's operations.

Reconciliation of Net Income to Operating Income

($ millions)	Three month period ended December 31 *(unaudited)*		Years ended December 31	
	2008	2007	2008	2007
	$	$	**$**	$
Net income (loss)	**7.1**	(231.6)	**113.0**	(118.7)
Add (less):				
Impairment of goodwill and intangible assets	**—**	275.0	**—**	275.0
Earnings from equity investments	**(2.2)**	(0.8)	**(6.3)**	(3.6)
Provision for income taxes (recovery)	**5.0**	(17.6)	**4.3**	(13.2)
Loss (gain) on sale of property, plant and equipment	**1.6**	0.7	**(1.0)**	0.7
Gain on sale of investments	**—**	0.1	**—**	—
Unrealized loss (gain) on foreign exchange	**37.6**	(1.8)	**49.3**	(26.7)
Unrealized loss on investments	**2.1**	—	**6.8**	—
Interest on long-term debt and other interest	**8.3**	6.1	**28.1**	21.1
Depreciation on property, plant and equipment	**17.0**	14.9	**62.3**	57.7
Amortization on intangible assets	**4.7**	4.4	**16.8**	16.8
Operating income	**81.2**	49.4	**273.3**	209.1

Funds from Operations

Funds from operations is defined as cash flow from operating activities before changes in non-cash working capital items. Management uses funds from operations as an indication of Mullen's ability to generate funds from its operations without the seasonality effect on its working capital.

Reconciliation of Funds from Operations to Cash Flow from Operating Activities

($ millions)	Three month period ended December 31 *(unaudited)*		Years ended December 31	
	2008	2007	2008	2007
	$	$	**$**	$
Funds from operations	**72.0**	44.8	**246.2**	193.8
Changes in non-cash working capital items	**(2.9)**	7.3	**(42.4)**	18.6
Cash flow from operating activities	**69.1**	52.1	**203.8**	212.4

Funds from Operations per Unit

Funds from operations per unit is calculated by dividing funds from operations by the weighted average number of units outstanding for the period. Management uses funds from operations per unit as a measure to determine funds generated from its operations on a per unit basis for the period without the effect of seasonality on its working capital.

Calculation of Funds from Operations per Unit

	Three month period ended December 31 *(unaudited)*		Years ended December 31	
($ millions, except unit and per unit amounts)	2008	2007	2008	2007
	$	$	$	$
Funds from operations	**72.0**	44.8	**246.2**	193.8
Weighted average number of units outstanding	**80,605,000**	81,382,000	**80,492,000**	81,596,000
Funds from operations per unit	**$0.89**	$0.55	**$3.06**	$2.38

Income Before Impairment of Goodwill and Intangible Assets

Income before impairment of goodwill and intangible assets is net income before recognizing the after tax impairment of goodwill and intangible assets.

Reconciliation of Net Income and Loss to Income Before Impairment of Goodwill and Intangible Assets

	Three month period ended December 31 *(unaudited)*		Years ended December 31	
($ millions)	2008	2007	2008	2007
	$	$	$	$
Net income (loss)	**7.1**	(231.6)	**113.0**	(118.7)
Impairment of goodwill and intangible assets	**—**	275.0	**—**	275.0
Future income tax effect on impairment of intangible assets	**—**	(6.7)	**—**	(6.7)
Income before impairment of goodwill and intangible assets	**7.1**	36.7	**113.0**	149.6

Earnings per Unit before Impairment of Goodwill and Intangible Assets

Earnings per unit before the impairment of goodwill and intangible assets is calculated by dividing income before the impairment of goodwill and intangible assets by the weighted average number of units outstanding during the year.

	Three month period ended December 31 *(unaudited)*		Years ended December 31	
($ millions, except per unit and unit amounts)	2008	2007	2008	2007
	$	$	$	$
Income before impairment of goodwill and intangible assets	**7.1**	36.7	**113.0**	149.6
Weighted average number of units outstanding	**80,605,000**	81,382,000	**80,492,000**	81,596,000
Earnings per unit before impairment of goodwill and intangible assets	**$0.09**	$0.45	**$1.40**	$1.83

OUTLOOK

The 2008 results exceeded our internal projections as well as those of most independent analysts. Activity levels and customer demand remained at very healthy levels throughout the year providing many of our business units with a strong pricing environment, high utilization rates and growth opportunities, all during a period punctuated with ominous economic warning signs.

As we enter 2009 we do so not as optimists, nor as pessimists, but rather as realists. We fully expect the tight credit markets, slowing economy and low commodity prices to negatively impact the markets we operate in and the customers we serve. The question of how much demand erosion will occur, for how long, and when will the recovery emerge is very much in doubt and far too complex to predict. As such, we will refrain from providing our investors with any forward looking guidance. Conditions will change and when they do we will provide updates at the appropriate time.

We can however provide our investors, and employees, with a few reassuring words. First, we believe that the structure of our balance sheet positions the Fund to withstand the expected slowdown. Placing the majority of our long-term debt with the private debt markets at a time when interest rates and covenants were favourable to Mullen was a strategic move by the Fund. Second, the steps we have implemented including the cuts to distributions, the corporate restructure, the wage and hiring freeze and the suspension of the employee and executive profit share plan for 2009 will keep the Fund profitable while at the same time protect as many jobs as possible. We are fully aware that our principle short-term objective is to manage through the downturn and position the Fund to capitalize on opportunities once the market stabilizes - we are well positioned and confident that we will achieve these objectives.

This MD&A contains information as of February 25, 2009.

SEVEN YEAR SELECTED FINANCIAL DATA

ears ended December 31 ($ thousands, unaudited)	2008	2007	2006	2005	2004	(restated)* 2003	(restated)* 2002
evenue	$ 1,314,224	$ 1,119,499	$ 1,003,287	$ 591,728	$ 470,860	$ 421,504	$ 302,512
xpenses							
Direct operating expenses	884,911	764,992	682,132	411,893	328,853	305,060	224,729
Selling and administrative expenses	155,987	145,377	119,090	67,118	49,932	45,294	35,396
	273,326	209,130	202,065	112,717	92,075	71,150	42,387
Depreciation and amortization	79,103	74,445	52,635	22,490	19,871	17,819	13,975
Interest on long-term debt	27,933	20,970	13,410	1,853	1,865	1,504	36
Other interest	213	194	202	66	157	386	226
Unrealized foreign exchange loss (gain)	49,314	(26,641)	7,500	—	—	—	—
(Gain) loss on sale of property, plant and equipment	(1,031)	725	(1,256)	(214)	749	(92)	(255)
Gain on sale of investments	—	(30)	(115)	—	—	(304)	—
Impairment of goodwill and intangible assets	—	275,000	—	—	—	—	—
Income (loss) before income taxes and earnings from equity investments	111,034	(135,533)	129,689	88,522	69,433	51,837	28,405
rovision for income taxes							
Current (recovery)	1,814	(2,390)	(4,311)	14,017	22,041	18,229	10,906
Future (recovery)	2,502	(10,850)	6,866	4,933	1,735	1,520	773
	4,316	(13,240)	2,555	18,950	23,776	19,749	11,679
ncome (loss) before earnings from equity investments	106,718	(122,293)	127,134	69,572	45,657	32,088	16,726
arnings from equity investments	6,283	3,598	998	391	820	332	945
et income (loss)	113,001	(118,695)	128,132	69,963	46,477	32,420	17,671

*2002 and 2003 figures have been restated to account for stock-based compensation.

Years ended December 31	2008	2007[1]	2006	2005	2004	(restated)* 2003	(restated)* 2002
Ratios - Operating							
Return on equity	10.1%	10.6%	14.6%	23.5%	18.9%	15.5%	9.5%
Gross margin - percent of revenue	32.7%	31.7%	32.0%	30.4%	30.2%	27.6%	25.7%
Selling and administrative expenses - percent of revenue	11.9%	13.0%	11.9%	11.3%	10.6%	10.7%	11.7%
Operating ratio	85.7%	88.0%	85.0%	84.7%	84.8%	87.3%	90.5%
Financial Position ($ thousands except acid test and debt-to-equity ratio)							
Acid test	1.93:1	2.27:1	1.48:1	1.35:1	1.39:1	1.57:1	1.49:1
Net property, plant and equipment	663,088	$ 586,823	$ 558,522	$ 218,357	$ 189,436	$ 187,801	$ 149,160
Total assets	$ 1,882,077	$ 1,770,490	$ 2,021,245	$ 508,619	$ 400,709	$ 381,643	$ 294,532
Long-term debt (including current portion)	$ 521,445	$ 402,409	$ 346,736	$ 51,534	$ 39,176	$ 73,584	$ 30,506
Unitholders' equity	$ 1,106,936	$ 1,132,132	$ 1,424,066	$ 327,872	$ 267,975	$ 224,333	$ 194,687
Debt-to-equity ratio	0.47:1	0.36:1	0.24:1	0.22:1	0.15:1	0.33:1	0.20:1
Funds from operations	$ 246,148	$ 193,783	$ 195,345	$ 100,771	$ 69,967	$ 52,116	$ 32,195
Unit Data**							
Funds from operations per unit	$ 3.06	$ 2.38	$ 2.84	$ 2.18	$ 1.55	$ 1.17	$ 0.73
Book value per unit	$ 13.73	$ 17.34	$ 17.38	$ 6.94	$ 5.93	$ 5.02	$ 4.39
Earnings per unit	$ 1.40	$ 1.83	$ 1.86	$ 1.51	$ 1.03	$ 0.73	$ 0.40
Price/earnings ratio	9.1	9.6	10.0	21.6	16.1	18.1	24.8
Weighted number of units outstanding (thousands)	80,492	81,596	68,886	46,261	45,024	44,558	43,941
Total units outstanding (thousands)	80,605	80,744	81,490	47,256	45,186	44,721	44,324

*2002 and 2003 figures have been restated to account for stock-based compensation.

**Unit data has been restated to reflect the exchange of Mullen Transportation Inc. shares for Mullen Group Income Fund units on a one-for-three basis.

[1] 2007 operating ratios and unit data are calculated before the effect of the impairment of goodwill and intangible assets.

Notes:

1. Return on equity was calculated by dividing net income by average unitholders' equity.
2. Gross margin was calculated by dividing sales less direct operating costs by sales.
3. Operating ratio was calculated by dividing the total cost before taxes, interest and unrealized gains and losses on foreign exchange, as a percentage of revenue.
4. Acid test ratio was calculated by dividing cash plus receivables by current liabilities.
5. Debt-to-equity ratio was calculated by dividing total debt by unitholders' equity.
6. Funds from operations was calculated as funds from operations before the effect of changes in non-cash working capital items.
7. Funds from operations per unit was calculated by dividing funds from operations by weighted average number of units outstanding.
8. Book value per unit was calculated by dividing unitholders' equity by the number of units outstanding.
9. Earnings per unit was calculated by dividing net income by the weighted average number of units outstanding.
10. Price/earnings ratio was calculated by dividing year-end closing price by earnings per unit.

Mullen Group INCOME FUND

2008

CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT TO THE UNITHOLDERS

The accompanying consolidated financial statements of Mullen Group Income Fund (the "Fund") have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial information contained elsewhere in this report has been reviewed to ensure consistency with these consolidated financial statements. In preparing the report, the Fund undertakes steps to ensure the information presented is accurate and conforms to applicable laws and standards, including:

- The Board of Directors and management have established corporate governance practices that are consistent with guidelines set out in the report issued by The Toronto Stock Exchange Committee on Corporate Governance in Canada.
- Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.
- The Board of Directors oversees the management of the business and the affairs for the Fund including ensuring management fulfills its responsibility for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.
- The Audit Committee of the Board of Directors, comprised of five members considered to be "outside and unrelated" directors, has reviewed the consolidated financial statements with management and the external auditors.
- Management, with the participation of the Chief Executive Officer ("CEO"), the Co-Chief Executive Officer ("Co-CEO") and the Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Fund's disclosure controls and procedures and has evaluated the design and effectiveness of internal controls over financial reporting and have concluded that they are not effective due to weaknesses in internal control over financial reporting. These weaknesses are due to the complexity of accounting and income tax issues and with control weaknesses related to segregation of duties. In spite of these weaknesses, the CEO, the Co-CEO and the CFO have concluded, as of the date hereof, that the Fund's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.
- An independent firm of chartered accountants, appointed as external auditors by the unitholders, has audited the consolidated financial statements and its report is included herein.

Murray K. Mullen
Chairman, Chief Executive Officer and Director

David E. Olson
Vice-President, Finance and
Chief Financial Officer

February 25, 2009

AUDITORS' REPORT TO THE UNITHOLDERS

KPMG LLP
Chartered Accountants
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Calgary AB T2P 4B9

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AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Mullen Group Income Fund as at December 31, 2008 and 2007 and the consolidated statements of income and (deficit) retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 25, 2009

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007 ($ thousands)		2008		2007
Assets				
Current assets:				
Cash and cash equivalents	$	**291**	$	79,155
Accounts receivable		**245,294**		185,475
Income taxes recoverable (note 11)		**—**		1,488
Inventory		**22,980**		—
Prepaid expenses		**10,999**		27,715
		279,564		293,833
Investments (note 3)		**4,854**		9,884
Property, plant and equipment (note 4)		**663,088**		586,823
Goodwill (note 5)		**844,420**		794,448
Intangible assets (note 6)		**89,081**		82,674
Other assets (note 7)		**1,070**		2,828
	$	**1,882,077**	$	1,770,490
Liabilities and Unitholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	**109,946**	$	100,480
Distributions payable (note 8)		**12,091**		12,112
Income tax payable (note 11)		**1,635**		—
Current portion of long-term debt (note 9)		**3,438**		3,817
		127,110		116,409
Long-term debt (note 9)		**518,007**		398,592
Future income taxes (note 11)		**130,024**		123,357
Unitholders' equity:				
Unitholders' capital (note 12)		**1,185,821**		1,185,340
Trust Units repurchased, pending cancellation		**—**		(5,880)
Contributed surplus (note 14)		**7,530**		7,273
Deficit		**(86,415)**		(54,601)
		1,106,936		1,132,132
	$	**1,882,077**	$	1,770,490

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Murray K. Mullen, Director

Dennis J. Hoffman, Director

CONSOLIDATED STATEMENTS OF INCOME AND (DEFICIT) RETAINED EARNINGS

Years ended December 31, 2008 and 2007 *($ thousands, except per unit amounts)*		2008		2007
Revenue	$	**1,314,224**	$	1,119,499
Direct operating expenses		**884,911**		764,992
Selling and administrative expenses		**155,987**		145,377
Depreciation on property, plant and equipment		**62,285**		57,684
Amortization on intangible assets		**16,818**		16,761
Interest on long-term debt		**27,933**		20,970
Other interest		**213**		194
Unrealized loss (gain) on foreign exchange		**49,314**		(26,641)
Gain on sale of investments		**—**		(30)
Unrealized loss on investment		**6,760**		—
(Gain) loss on sale of property, plant and equipment		**(1,031)**		725
Impairment of goodwill and intangible assets (notes 5 and 6)		**—**		275,000
Income (loss) before income taxes and earnings from equity investments		**111,034**		(135,533)
Provision for income taxes (note 11):				
Current (recovery)		**1,814**		(2,390)
Future (recovery)		**2,502**		(10,850)
		4,316		(13,240)
Income (loss) before earnings from equity investments		**106,718**		(122,293)
Earnings from equity investments		**6,283**		3,598
Net income (loss) and other comprehensive income	$	**113,001**	$	(118,695)
(Deficit) retained earnings, beginning of year	$	**(54,601)**	$	214,550
Distributions declared to unitholders		**(144,815)**		(146,804)
Repurchase of Trust Units		**—**		(3,652)
Deficit, end of year	$	**(86,415)**	$	(54,601)
Earnings (loss) per unit:				
Basic	$	**1.40**	$	(1.45)
Diluted	$	**1.40**	$	(1.45)
Weighted average number of units outstanding:				
Basic		**80,492**		81,596
Diluted		**80,492**		81,596

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007 *($ thousands)*	2008	2007
Cash provided by (used in):		
Operations:		
Net income (loss)	$ **113,001**	$ (118,695)
Items not involving cash:		
Depreciation on property, plant and equipment	**62,285**	57,684
Amortization on intangible assets	**16,818**	16,761
Unit-based compensation	**2,782**	3,427
Unrealized loss (gain) on foreign exchange	**49,314**	(26,641)
Unrealized loss on investment	**6,760**	—
(Gain) loss on sale of property, plant and equipment	**(1,031)**	725
Gain on sale of investment	**—**	(30)
Future income taxes (recovery)	**2,502**	(10,850)
Earnings from equity investments	**(6,283)**	(3,598)
Impairment of goodwill and intangible assets	**—**	275,000
	246,148	193,783
Changes in non-cash working capital items	**(42,383)**	18,611
	203,765	212,394
Financing activities:		
Proceeds of long-term debt	**85,681**	107,914
Repayment of long-term debt	**(23,260)**	(23,664)
Proceeds from Trust Unit issuances	**1,366**	1,247
Repurchase of Trust Units (note 12)	**—**	(28,656)
Distributions paid	**(144,836)**	(146,983)
	(81,049)	(90,142)
Investing activities:		
Acquisitions (note 2)	**(147,936)**	(11,915)
Cash distributions from equity investment	**4,853**	3,123
Property, plant and equipment additions	**(79,982)**	(96,653)
Proceeds on sale of property, plant and equipment	**21,746**	16,450
Proceeds on sale of investments	**549**	46
Purchase of investments	**(1,225)**	(7,553)
Other assets	**415**	4,007
	(201,580)	(92,495)
Change in cash	**(78,864)**	29,757
Cash, beginning of year	**79,155**	49,398
Cash, end of year	$ **291**	$ 79,155
Supplemental cash flow information:		
Interest paid	$ **28,513**	$ 21,808
Income taxes received	$ **(1,167)**	$ (7,792)

See accompanying notes to the consolidated financial statements

1. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(a) Basis of Presentation

Mullen Group Income Fund ("Mullen" and/or the "Fund") is an unincorporated investment trust. The business of the Fund is held in wholly-owned subsidiaries and limited partnerships. The business of Mullen is a diversified transportation and oilfield service organization with its activities divided into two distinct business segments; Oilfield Services and Trucking/Logistics.

The Fund is an unincorporated open-ended investment trust governed by the laws of the Province of Alberta and created pursuant to a declaration of trust dated as of June 3, 2005. Pursuant to the provisions of section 193 of the Business Corporations Act (Alberta), Mullen Transportation Inc. ("Mullen Transportation"), Mullen Acquisition Corp. ("Acquisition Co."), certain subsidiaries of MTI and certain other corporations were amalgamated, effective as of July 1, 2005 to form MT Investments Inc. ("MT"). MT is wholly-owned by Mullen Co. Limited Partnership ("MCLP"). MCLP is approximately 77 percent owned by Mullen Holding Trust ("MHT") and the balance of MCLP is owned by other third parties. MHT is wholly-owned by the Fund. CIBC Mellon Trust Company has been appointed Trustee under the Fund. The beneficiaries of the Fund are the holders of the trust units ("Trust Units") issued by the Fund ("unitholders").

The consolidated financial statements include the accounts of the Fund, its subsidiaries and its limited partnerships. The accompanying audited consolidated financial statements for the Fund have been prepared in accordance with GAAP for consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

(b) Changes in Accounting Policies

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862; "Financial Instruments - Disclosure", 3863; "Financial Instruments - Presentation", 1535; "Capital Disclosures" and 3031; "Inventories". Adjustments to the consolidated financial statements for the year ended December 31, 2008 have been made in accordance with the transitional provisions for these new standards. Certain information related to comparative years is not prescribed by these standards and accordingly the prior year has not been restated.

CICA Handbook Sections 3862 "Financial Instruments – Disclosure" and 3863 "Financial Instruments – Presentation", which replaced Section 3861 "Financial Instruments – Disclosure and Presentation", prescribes the requirements for presentation and disclosure of financial instruments. The additional disclosures necessary to comply with these standards are provided in note 19. Certain information related to comparative years is not prescribed by these standards and accordingly the prior year has not been restated.

1. Significant Accounting Policies, (continued)

CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Fund's objectives, policies and processes for managing capital. Note 10 provides qualitative disclosure regarding objectives, policies and processes for managing capital as well as quantitative data on capital as of December 31, 2008.

Handbook Section 3031 "Inventories" prescribes the recognition, measurement, disclosure and presentation issues related to inventories. The standard includes guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory cost. Inventory is measured at the lower of cost and net realizable value. In accordance with Section 3031, the Fund has classified spare parts and inventory for resale as inventories as at December 31, 2008.

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets. Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior-period financial statements will be required. The Fund has not assessed the impact of this standard.

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the Fund's first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with IFRS. The Fund has not assessed the impact of this standard.

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Fund for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Fund began planning the transition from current Canadian GAAP to IFRS, in 2008, by establishing a project plan and a project team. The project team is led by senior finance members that provide overall project governance, management and support. Members also include representatives from various areas of the organization as necessary and external advisors that have been engaged to assist in the IFRS conversion project. The team reports quarterly to the Audit Committee of the Fund.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation. The Fund has completed the initial assessment phase which included the development of a detailed timeline, the completion of a high level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. The initial assessment also included education and training sessions for project team members and discussions with the Fund's external auditors and advisors.

The Fund is now engaged in the detailed assessment and design phase. The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the implementation phase, the Fund will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting.

The Fund continues to assess the financial reporting impacts of converting to IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable.

1. Significant Accounting Policies, (continued)

(c) Investments

Investments in affiliates over which the Fund has significant influence are accounted for using the equity method. Investments in which the Fund has no significant influence are carried at the fair value. If management determines there is a permanent decline in value in underlying assets and no expectation of future earnings, these investments are written down to net realizable value.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is provided annually over the estimated useful lives of the assets on the declining balance basis at the following rates:

Assets	Rate
Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, furniture and fixtures	20%
Automobiles, computer equipment and computer software	30 - 50%
Satellite communications equipment	20%

Drilling rigs are depreciated by the unit-of-production method based on 1,500 operating days with a 20 percent residual value.

(e) Intangible assets and amortization

Intangible assets are mainly comprised of non-competition agreements and customer relationships and are amortized on a straight-line basis over five to ten years.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value.

(f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values.

Goodwill is not amortized, but is tested for permanent impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of a reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

1. Significant Accounting Policies, (continued)

(g) Revenue recognition

The Fund's services are provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates. Contract terms do not include provision for post-service obligations. Revenue is recognized when services are rendered and when collectability is reasonably assured.

(h) Income taxes

The Fund and its subsidiaries follow the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs.

On June 22, 2007, the Government of Canada enacted a new tax on distributions from specified investment flow-through ("SIFT") entities. This enactment has triggered the recognition of future income tax assets and liabilities expected to reverse after January 1, 2011. The effect of the income tax increase on the SIFT entities future income tax balances in the Fund has been reflected as a future income tax expense in 2008.

(i) Unit-based compensation plan

The Fund has a unit-based compensation plan, which is described in note 12 and 13. The Fund utilizes the fair value method to account for options. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus. When options are exercised, the proceeds received by the Fund, along with the amount in contributed surplus, will be credited to unitholders' capital.

(j) Per unit amounts

Basic per unit amounts are calculated using the weighted average number of units outstanding during the year. Diluted per unit amounts are calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of options would be used to purchase Trust Units at the average market prices during the period. The weighted average number of units outstanding is then adjusted by the net change.

(k) Cash and cash equivalents

Cash and cash equivalents are restricted to cash and highly liquid investments having an initial term of three months or less and are presented at cost which approximates fair value.

2. Acquisitions and Dispositions

(a) 2008 Acquisitions

On April 30, 2008, the Fund acquired the outstanding shares of R.E. Line Trucking (Coleville) Ltd. and David Tuffs Holdings Ltd. (collectively "R.E. Line"); an oilfield transportation company focused on the hauling of crude oil and produced water out of Coleville, Saskatchewan. Pursuant to the provisions of the R.E. Line Share Purchase and Sale Agreement, the vendor may receive additional consideration of up to $2.0 million for exceeding certain financial targets over a two year period from the closing date. R.E. Line's results from operations are included in the Oilfield Services segment.

(Tabular amounts in thousands, except unit and per unit amounts)

(a) 2008 Acquisitions, (continued)

On July 2, 2008, the Fund acquired the assets and business of Essential Energy Services Trust's transport division ("Essential") which included its fluid hauling and oilfield transport business units. These business units operate through a network of facilities strategically located in areas known for drilling activity and range from northeastern British Columbia and northern Alberta into central/southern Alberta and Saskatchewan. The Fund issued 46,757 Mullen trust units and 124,238 MCLP Class B Units by way of private placement as part of the consideration of this acquisition. The fair value attributed to these 170,995 units was $3.9 million and was determined using the closing price of Mullen's trust units on July 2, 2008 which was $22.54 per unit. Essential's results from operations are included in the Oilfield Services segment.

On December 15, 2008, the Fund indirectly acquired certain assets and the business of 479215 Alberta Ltd. operating as M&L Trucking ("M&L Trucking"); an oilfield transportation company focused on the hauling of crude oil and produced water in Altario, Alberta. M&L Trucking's results from operations are included in the Oilfield Services segment.

These acquisitions have been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisitions are as follows:

	Essential	R.E. Line	M&L Trucking	Total
Assets:				
Non-cash working capital items	$ 1,514	$ 2,270	$ —	$ 3,784
Property, plant and equipment	75,479	3,004	800	79,283
Other assets	2,504	41	—	2,545
Intangible assets	12,515	10,630	80	23,225
Goodwill	48,099	1,873	—	49,972
	140,111	17,818	880	158,809
Assumed liabilities:				
Bank indebtedness	—	288	—	288
Long-term debt	1,137	1,429	—	2,566
Future income taxes	848	3,317	—	4,165
	1,985	5,034	—	7,019
Net assets	138,126	12,784	880	151,790
Consideration:				
Cash	134,272	12,784	880	147,936
Trust Units (46,757)	1,054	—	—	1,054
B Units (124,238)	2,800	—	—	2,800
	$ 138,126	$ 12,784	$ 880	$ 151,790

(b) 2007 Acquisitions

On April 30, 2007, the Fund acquired all the outstanding shares of E.K. Inc. ("EK"), a specialized transportation carrier for $2.4 million. Based out of Aldersyde, Alberta, EK mainly specializes in transporting natural gas compressor units to the United States. EK's results from operations are included in the Trucking/Logistics segment.

On October 31, 2007, the Fund acquired all the outstanding shares of Pro North Well Management Ltd. and its wholly-owned subsidiary Pro North Oilfield Services Ltd. (collectively "Pro North") for $9.5 million. Pro North provides oilfield related fluid hauling services and is based out of Fort Nelson, British Columbia. Pro North's results from operations are included in the Oilfield Services segment.

(Tabular amounts in thousands, except unit and per unit amounts)

(b) 2007 Acquisitions, (continued)

The acquisitions in 2007 have been accounted for by the purchase method, and results of operations have been included in these consolidated financial statements from the date of acquisition. Details of the acquisitions are as follows:

2007		Total
Assets:		
Non-cash working capital items	$	234
Property, plant and equipment		6,507
Intangible assets		8,152
Goodwill		2,621
		17,514
Assumed liabilities:		
Long-term debt		2,800
Future income taxes		3,478
		6,278
Net assets before cash position		11,236
Cash position		679
Cash consideration	$	11,915

3. **Investments**

		2008		2007
Investments - held for trading	$	**3,344**	$	7,584
Investments accounted for by the equity method		**1,510**		2,300
	$	**4,854**	$	9,884

(Tabular amounts in thousands, except unit and per unit amounts)

4. Property, Plant and Equipment

2008	**Cost**	**Accumulated depreciation**	**Net book value**
Land	$ 74,878	$ —	$ 74,878
Buildings	119,887	14,805	105,082
Drilling equipment	30,651	5,772	24,879
Trucks and trailers	506,693	141,394	365,299
Equipment, furniture and fixtures	134,081	54,786	79,295
Automobiles, computer equipment and computer software	31,858	21,306	10,552
Satellite communications equipment	8,375	5,272	3,103
	$ 906,423	$ 243,335	$ 663,088

2007	Cost	Accumulated depreciation	Net book value
Land	$ 66,189	$ —	$ 66,189
Buildings	106,470	10,477	95,993
Drilling equipment	30,651	4,623	26,028
Trucks and trailers	423,764	116,286	307,478
Equipment, furniture and fixtures	117,669	40,485	77,184
Automobiles, computer equipment and computer software	28,805	18,394	10,411
Satellite communications equipment	8,116	4,576	3,540
	$ 781,664	$ 194,841	$ 586,823

Property, plant and equipment include equipment under capital leases which are recorded at cost, totaling $6.4 million (2007 - $9.5 million), less accumulated depreciation of $1.4 million (2007 - $1.7 million).

5. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is not amortized and is subject to an annual impairment test, or more frequently if events or changes in circumstances indicate the net asset might be impaired.

At December 31, 2008, the Fund performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in either of the Fund's reportable segments. The fair value of goodwill calculated at December 31, 2008 exceeded both the $770.9 million carrying amount in the Oilfield Services segment, and the $73.5 million carrying amount in the Trucking/Logistics segment.

At December 31, 2007, the Fund recorded an impairment of goodwill of $250.0 million. The impairment related to the goodwill acquired with the Producers Oilfield Services Inc. ("Producers") acquisition, whose operating business units are Formula Powell, Swanberg and Withers which are in the Oilfield Services segment, where the carrying value of goodwill exceeded its fair value. The Fund's Trucking/Logistics segment had no impairment as the fair values of the segment exceeded their carrying values.

(Tabular amounts in thousands, except unit and per unit amounts)

6. Intangible Assets

		2008		2007
Intangible assets - cost	$	**161,035**	$	137,810
Less accumulated amortization		**71,954**		55,136
	$	**89,081**	$	82,674

Intangible assets are mainly comprised of customer relationships and non-competition agreements and are amortized over their estimated life. At December 31, 2008, the Fund performed an impairment test on intangible assets and concluded that there was no impairment loss at any of the Fund's business units. The fair value of intangible assets exceeded their carrying values.

At December 31, 2007, the Fund recorded an impairment of intangible assets totaling $25.0 million. The impairment related to the intangible assets acquired with the Producers acquisition whose operating business units are Formula Powell, Swanberg and Withers, which are in the Oilfield Services segment, where the carrying value of intangible assets exceeded its fair value. There were no indications of impairment in the Fund's other business units as the fair values of those business units exceeded their carrying values.

7. Other Assets

Other assets are comprised of deferred compensation, amounts due from related parties and other as follows:

		2008		2007
Deferred compensation	$	**386**	$	1,771
Due from related parties (note 18)				
Interest bearing, secured loan		—		248
Other		**684**		809
	$	**1,070**	$	2,828

The deferred compensation asset arose from the unearned stock-based compensation resulting from the exchange of stock options for Trust Unit options as part of an acquisition that closed in 2006.

8. Distributions Payable

The Fund declared distributions of $1.80 per unit during the year ended December 31, 2008. Total distributions paid were $144.8 million. Distributions payable is comprised of $12.1 million distributions declared of $0.15 per unit for holders of record on December 31, 2008.

(Tabular amounts in thousands, except unit and per unit amounts)

9. Long-Term Debt

	2008	2007
Bank Credit facility (a)	$ 64,240	$ —
Private placement (b) (c)	444,822	390,548
Term loan bearing interest at 6.3 percent. The loan is repayable in blended principal and interest payments of $57,732 and matures in February, 2014.	3,518	3,538
Various financing loans with no interest and monthly principal payments not exceeding $1,238. These loans are secured by specific operating equipment.	7	30
Various financing loans with rates between 2.35 percent and 12.53 percent with monthly blended principal and interest payments not exceeding $23,258. These loans are secured by specific operating equipment.	4,248	7,153
Mortgage facility with a rate of 4.5 percent with blended principal and interest payments of $17,029. This mortgage is secured by specific land, building and operating equipment.	4,610	1,140
	521,445	402,409
Less current portion	3,438	3,817
	$ 518,007	$ 398,592

Aggregate principal repayments of long-term debt are as follows:	**2008**
2009	$ 3,438
2010	66,244
2011	1,638
2012	4,156
2013 and thereafter	445,969
	$ 521,445

(a) The Fund has available an unsecured $150.0 million extendible revolving 364-day term facility ("Bank Credit facility")convertible to a one year reducing facility. Interest is payable monthly and is based on either the bank prime rate or bankers' acceptance rates plus a prime acceptance fee which varies from 0.85 percent to 2.0 percent per annum based upon achieving certain financial ratios. At December 31, 2008, $64.2 million was drawn on this facility.

(b) On September 5, 2007, the Fund issued Senior Guaranteed Unsecured Notes by way of private placement of U.S. $85.0 million of Series E Notes and CDN. $20.0 million of Series F Notes. Both the Series E and Series F Notes mature on September 27, 2017. The Series E and Series F Notes bear annual interest of 5.90 percent and 5.47 percent, respectively and interest is payable semi-annually.

(c) On June 29, 2006, the Fund issued Senior Guaranteed Unsecured Notes by way of private placement of U.S. $100.0 million of Series A Notes, U.S. $50.0 million of Series B Notes, CDN. $70.0 million of Series C Notes and CDN. $70.0 million of Series D Notes. The Series A and Series C Notes mature June 30, 2016 and the Series B and Series D Notes mature June 30, 2018. The Series A, Series B, Series C, and Series D Notes bear interest of 6.29 percent, 6.39 percent, 5.60 percent and 5.76 percent per annum, respectively. Interest is payable semi-annually.

(d) The Fund has $2.0 million of Letters of Credit outstanding, which were issued to guarantee certain performance and payment obligations. These Letters of Credit reduce the amount available under the Bank Credit facility.

(e) The Fund's debt issuance costs of $1.9 million have been netted against the related indebtedness in accordance with changes in Accounting Policies.

(Tabular amounts in thousands, except unit and per unit amounts)

10. Capital Disclosures

The Fund's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to provide an adequate return to unitholders by pricing products and services commensurately with the level of risk. The Fund manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt. The Fund is not subject to externally imposed capital requirements.

Consistently with others in the industry, the Fund monitors capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by equity. Total debt is calculated as the total of current portion of long-term debt and long-term debt. Equity comprises of all the components of unitholders' equity (*ie.* unitholders' capital, contributed surplus and (deficit) retained earnings). During 2008, the Fund's strategy, which was unchanged from 2007, was to maintain the debt-to-equity ratio below 0.5:1. The debt-to-equity ratio calculations at December 31, 2008 and at December 31, 2007 were as follows:

		December 31, 2008		December 31, 2007
Current portion of long-term debt	$	**3,438**	$	3,817
Long-term debt		**518,007**		398,592
Total debt	$	**521,445**	$	402,409
Unitholders' capital	$	**1,185,821**	$	1,185,340
Less Trust Units repurchased, pending cancellation		**—**		(5,880)
Add contributed surplus		**7,530**		7,273
Less deficit		**(86,415)**		(54,601)
Equity	$	**1,106,936**	$	1,132,132
Debt-to-equity		**0.47:1**		0.36:1

In March 2008, the Fund filed a normal course issuer bid, which entitles the Fund to acquire up to 4,519,375 of its Trust Units between March 20, 2008 and March 19, 2009. Mullen's daily purchase limit under the normal course issuer bid is 39,795 Trust Units. All purchases are to be made on the open market at the market price at the time of purchase. The timing of these purchases depends on market prices.

11. Income Taxes

The Fund and its subsidiaries follow the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income during the period in which the change occurs.

(Tabular amounts in thousands, except unit and per unit amounts)

11. Income Taxes, (continued)

The provision for income taxes differs from the amounts which would be obtained by applying the expected Canadian statutory tax rates as follows:

		2008		2007
Income (loss) before income taxes and earnings from equity investments	$	**111,034**	$	(135,533)
Income tax rate		**31%**		33%
Computed expected income tax expense (recovery)		**34,421**		(44,726)
Add (less):				
Impairment of goodwill		**—**		84,050
Tax related to income allocated to unitholders		**(42,842)**		(46,934)
Non-deductible unit-based compensation		**821**		802
Future tax adjustment on temporary differences in flow-through entities		**3,410**		3,072
Reduction of future tax balances due to substantively enacted income tax rate changes		**—**		(12,562)
Non-taxable portion of unrealized foreign exchange (gain) loss		**7,281**		(4,367)
Other		**1,225**		7,425
Provision for income taxes (recovery)	$	**4,316**	$	(13,240)

The Fund owns six businesses for which the operating results flow through to the Fund because such businesses are flow-through entities not owned by MT, the Fund's subsidiary. Current temporary income tax differences between the projected book value and the tax value of certain assets of these six businesses, as at January 1, 2011, were $25.8 million. As a result of the legislation affecting tax on SIFT entities, the Fund recorded future tax of $3.4 million in 2008 (2007 - $3.1 million).

The future income tax liability consists of the following:

		2008		2007
Liabilities:				
Property, plant and equipment	$	**75,075**	$	71,261
Partnership income		**42,152**		32,316
Intangible assets and other		**14,796**		20,687
		132,023		124,264
Assets:				
Loss carryforwards		**(1,443)**		(211)
Financing fees		**(556)**		(696)
		(1,999)		(907)
Future income tax liability	$	**130,024**	$	123,357

(Tabular amounts in thousands, except unit and per unit amounts)

12. Unitholders' Capital

Trust Units: **Authorized: Unlimited Number**	# of Trust Units		Amount
Balance at December 31, 2006	61,328,738	$	826,888
Units issued on exercise of options	107,460		2,788
Units issued on exchange of B Units	438,983		6,444
Units repurchased	(1,703,700)		(25,005)
Units repurchased, pending cancellation	400,500		5,880
Balance at December 31, 2007	60,571,981	$	816,995
Units issued on exercise of options	90,959		2,507
Units issued on exchange of B Units	1,548,943		28,284
Units issued for Essential acquisition	46,757		1,054
Units cancelled from 2007	(400,500)		(5,880)
Balance at December 31, 2008	61,858,140	$	842,960

In 2008, 46,757 Trust Units were issued by way of private placement on the Essential acquisition for $1.1 million. Another 1,548,943 Trust Units were issued upon exchange of MCLP Class B Units for $28.3 million.

Pursuant to the normal course issuer bid, the Fund repurchased 1,703,700 Trust Units for $28.7 million in 2007. Unitholders' capital has been reduced by $25.0 million, the stated value of the units. The excess of the amount paid over the stated value of the Trust Units of $3.7 million has been charged to the deficit.

Of the 1,703,700 Trust Units repurchased, 400,500 Trust Units were pending cancellation at December 31, 2007. These 400,500 Trust Units were cancelled in the first quarter of 2008. Accordingly, the stated value of the Trust Units pending cancellation has been recorded in unitholders' equity separate from unitholders' capital. The number of units has been shown as outstanding and has been excluded from per unit calculations.

MCLP Class B Units*: **Authorized: Unlimited Number**	# of B Units		Amount
Balance at December 31, 2006	20,610,845	$	374,789
Exchanged for Trust Units	(438,983)		(6,444)
Balance at December 31, 2007	20,171,862	$	368,345
Units issued for Essential acquisition	124,238		2,800
Exchanged for Trust Units	(1,548,943)		(28,284)
Balance at December 31, 2008	18,747,157	$	342,861

**B Units are exchangeable for Trust Units on a one for one basis*

In 2008, 124,238 MCLP Class B Units were issued by way of private placement on the Essential acquisition for $2.8 million. The number of MCLP Class B Units outstanding was reduced by 1,548,943 upon exchange for Trust Units for $28.3 million.

Summary of Unitholders' Capital:	# of Units		Amount
Trust Units	61,858,140	$	842,960
B Units	18,747,157		342,861
Unitholders' capital at December 31, 2008	80,605,297	$	1,185,821

(Tabular amounts in thousands, except unit and per unit amounts)

12. Unitholders' Capital, (continued)

Unit-based compensation plan:	Options	Weighted average exercise price
Outstanding - December 31, 2006	3,179,033	$ 19.28
Granted	5,000	21.82
Exercised	(107,460)	(11.61)
Cancelled	(162,510)	(19.09)
Outstanding December 31, 2007	2,914,063	$ 19.58
Granted	360,000	16.91
Exercised	(90,959)	(15.02)
Cancelled	(67,992)	(18.97)
Outstanding - December 31, 2008	3,115,112	$ 19.41
Exercisable - December 31, 2008	707,148	$ 19.26

As at December 31, 2008 there are Trust Options outstanding to purchase 3,115,112 Trust Units with prices ranging from $8.34 to $24.85 per Trust Unit with expiry dates ranging from July 19, 2010 to March 10, 2013.

Under the Option Plan, the Fund may grant additional Trust Options to its employees and directors for 1,670,000 Trust Units which have been reserved for this purpose. Under the Option Plan, the exercise price of a Trust Option granted under the Option Plan shall be as determined by the Board of Directors ("the Board") when that Trust Option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the market value of the Trust Units.

The range of exercise prices for options outstanding at December 31, 2008 are as follows:

	Options Outstanding			Exercisable Options	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
$8.34 to 9.99	13,334	6.0	$ 8.34	13,334	$ 8.34
$10.00 to 19.99	3,002,640	2.2	19.64	594,676	19.17
$20.00 to 24.85	99,138	6.1	21.21	99,138	21.28
$8.34 to 24.85	3,115,112	2.3	$ 19.41	707,148	$ 19.26

13. Unit-Based Compensation

The following weighted average assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	3.63%
Expected life	5 - 9 years
Maximum life	10 years
Expected distribution	1.80 per Trust Unit
Expected Trust Unit price volatility	22.02

(Tabular amounts in thousands, except unit and per unit amounts)

14. Contributed Surplus

The Fund records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to compensation expense and contributed surplus. When options are exercised, the fair value amount in contributed surplus is credited to unitholders' capital.

		Amount
Balance at December 31, 2006	$	7,839
Unit-based compensation expense		3,428
Unit-based compensation expense related to deferred compensation		(2,454)
Unit options exercised		(1,540)
Balance at December 31, 2007	$	7,273
Unit-based compensation expense		2,781
Unit-based compensation expense related to deferred compensation		(1,384)
Unit options exercised		(1,140)
Balance at December 31, 2008	$	7,530

15. Per Unit Amounts

Basic per unit amounts have been calculated on the weighted average number of units outstanding during the year. The weighted average units outstanding for the year ended December 31, 2008 was 80,492,000 (2007 – 81,596,000).

16. Commitments and Contingencies

(a) Commitments:

The Fund is committed to payments under operating leases for equipment and buildings to 2014 and thereafter. Annual minimum payments required subsequent to 2008 are as follows:

2009	$	15,804
2010		10,517
2011		5,310
2012		2,685
2013		1,087
2014 and thereafter		2,397

(b) Contingencies:

The Fund is party to legal proceedings and claims that arise during the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material effect upon the Fund's financial position, results of operations or cash flows.

(Tabular amounts in thousands, except unit and per unit amounts)

17. Segmented Information

The Fund conducts its business through wholly-owned subsidiaries, which are categorized into two business segments. The Oilfield Services segment primarily provides transportation services to the oil and gas industry which includes exploration and development companies and production and gas transmission companies. The Trucking/Logistics segment provides both long haul and local transportation services to customers in various industries. The following provides financial results by segment:

				Intersegment eliminations		
Year ended December 31, 2008	Oilfield Services	Trucking/ Logistics	Corporate	Oilfield Services	Trucking/ Logistics	Total
Revenue	$ 835,176	$ 485,158	$ 2,232	$ (3,347)	$ (4,995)	$1,314,224
Income before income taxes and earnings from equity investments	126,337	69,924	(85,227)	—	—	111,034
Depreciation	50,380	8,981	2,924	—	—	62,285
Amortization	12,968	3,825	25	—	—	16,818
Total assets	1,482,479	229,982	169,616	—	—	1,882,077
Capital expenditures[(1)]	44,491	13,345	22,146	—	—	79,982
Goodwill	770,955	73,465	—	—	—	844,420

				Intersegment eliminations		
Year ended December 31, 2007	Oilfield Services	Trucking/ Logistics	Corporate	Oilfield Services	Trucking/ Logistics	Total
Revenue	$ 685,384	$ 436,970	$ 2,652	$ (3,057)	$ (2,450)	$ 1,119,499
Income before income taxes and earnings from equity investments	(179,308)	52,285	(8,510)	—	—	(135,533)
Depreciation	45,964	8,828	2,892	—	—	57,684
Amortization	13,311	3,425	25	—	—	16,761
Total assets	1,303,552	229,524	237,414	—	—	1,770,490
Capital expenditures[(1)]	46,328	13,630	37,445	(586)	(164)	96,653
Goodwill	720,983	73,465	—	—	—	794,448

(1) Excludes business acquisitions

(Tabular amounts in thousands, except unit and per unit amounts)

18. Related Party Transactions

All related party transactions are provided in the normal course of business under the same terms and conditions as transactions with unrelated companies.

Nature of transaction	Nature of relationship	Amount of the transaction 2008	2007
Revenue:			
Transportation services	a, b	$ **10,210**	$ 13,729
Other revenue	b	**3**	46
Sale of property, plant and equipment	a, b	**—**	341
		$ **10,213**	$ 14,116
Expenses:			
Transportation services	a, b	$ **1,087**	$ 49
Other	b, c	**1,255**	872
Purchase of property, plant and equipment	a,c	**—**	3,451
		$ **2,342**	$ 4,372
Earnings from equity investments	a	$ **6,283**	$ 3,598
Balances as at December 31:			
Accounts receivable		**4,718**	1,000
Other assets (note 7)		**—**	248
Accounts payable		**50**	7

Nature of relationship:

a Related by equity investment: — Equity Ownership

Pe Ben USA Inc. (until October 31, 2008)	50%
Durango Oilfield Services Inc. (from February 1, 2008)	50%

b Related by common officer or director

c Private companies owned or controlled by an officer or director

19. Financial Instruments

(a) *Fair Values*

The following summarizes the significant methods and assumptions used in estimating fair values of financial instruments. The fair values of financial assets and liabilities approximate their carrying values.

(i) *Accounts receivable and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) *Investments*

The fair value of financial assets designated as held-for-trading, held-to-maturity and available-for-sale is determined by reference to their quoted bid price at the reporting date. When market prices are not available, comparisons to similar instruments and calculations using common valuation techniques may be employed.

(Tabular amounts in thousands, except unit and per unit amounts)

19. Financial Instruments, (continued)

(iii) *Non-derivative financial liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For capital leases the market rate of interest is determined by reference to similar lease agreements.

(iv) *Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	December 31, 2008	
	Carrying amount	Fair value
Equity investments	$ 1,510	$ 1,510
Financial assets designated as held for trading	3,344	3,344
Loans and receivables	245,294	245,294
Cash and cash equivalents	291	291
Private placement	(444,822)	(368,464)
Bank Credit facility	(64,240)	(64,240)
Term loan	(3,518)	(3,440)
Mortgage facility	(4,610)	(4,355)
Capital lease and financing loans	(4,255)	(4,126)
Trade and other payables	(109,946)	(109,946)
	$ (380,952)	$ (304,132)
Unrecognized gain		$ 76,820

(b) *Credit risk*

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers and investment securities.

(i) *Accounts receivable and other receivables*

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Fund's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. However, geographically there is no concentration of credit risk. The Fund hauls a wide variety of freight for a broad customer base which spans numerous industries. Longer-term contracts are with large, well established customers. No customer accounted for more than ten percent of the Fund's revenue in 2008.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Fund's standard payment and delivery terms and conditions are offered. The Fund's review includes external ratings, where available, and in certain cases bank references. Customers that fail to meet the Fund's benchmark creditworthiness may transact with the Fund only on a prepayment basis.

(Tabular amounts in thousands, except unit and per unit amounts)

19. Financial Instruments (continued)

The aging of accounts receivables as at December 31, 2008 is as follows:

	December 31, 2008		
	Gross	Allowance	Net
Not past due	$ 129,977	$ —	$ 129,977
Past due 31-60 days	74,080	—	74,080
Past due 61-90 days	23,707	—	23,707
More than 90 days	20,649	3,119	17,530
Total	$ 248,413	$ 3,119	$ 245,294

The Fund establishes an allowance for doubtful accounts that represents its estimate of potential losses in respect of trade and other receivables. The main component of this allowance is a specific provision that relates to individually significant exposures. As at December 31, 2008, the Fund's allowance for doubtful accounts totalled $3.1 million.

(ii) Guarantees

The Fund has $2.0 million of Letters of Credit outstanding, which were issued to guarantee certain performance and payment obligations. These Letters of Credit reduce the amount available under the Bank Credit facility (see note 9).

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Typically the Fund ensures that it has sufficient cash or available credit lines to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Fund maintains a Bank Credit facility (see note 9).

The following are the contractual maturities of financial liabilities, excluding interest payments and the impact of any option to purchase equipment at the end of the term:

December 31, 2008	Carrying amount	Contractual cash flows	3 months or less	2009 - 2010	2011 - 2012	Thereafter
Private placement	444,822	444,822	—	—	—	444,822
Bank Credit facility	64,240	64,240	—	64,240	—	—
Mortgage facility	4,610	4,610	81	513	3,734	282
Financing and other loans	4,255	4,255	596	2,836	736	87
Term loan	3,518	3,518	232	1,183	1,323	780
Operating leases	37,800	37,800	3,951	22,370	7,995	3,484
Trade and other payables	109,946	109,946	109,946	—	—	—
Total	669,191	669,191	114,806	91,142	13,788	449,455

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchanges rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

19. Financial Instruments (continued)

(i) Currency risk

The Fund has U.S. $235.0 million in Senior Guaranteed Unsecured Notes which exposes the Fund to foreign currency fluctuations. Interest on these borrowings is denominated in U.S. and is also exposed to foreign currency fluctuations.

The Fund is exposed to currency risk on sales, purchases and loans that are denominated in U.S. funds.

(ii) Sensitivity analysis

A 10.0 percent strengthening of the CDN. dollar against the U.S. dollar at December 31, 2008 would have increased equity and net income by approximately $26.8 million net of tax. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10.0 percent weakening of the CDN. dollar against the above currencies at December 31, 2008 would have had the equal but opposite effect.

(iii) Interest rate risk

The Fund manages its interest rate risk through a combination of fixed and floating rate borrowings. In the short-term, the Fund is exposed to fluctuations in floating interest rate terms on the Bank Credit facility. In the long- term, the Fund is susceptible to interest rate decreases as the interest rate on long-term debt is fixed.

(iv) Fair value sensitivity analysis for debt instruments

As at December 31, 2008, the Fund does not account for any fixed rate financial assets and liabilities as held for trading and the Fund does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments. The Fund has a Bank Credit facility in which $64.2 million was drawn as at December 31, 2008 with interest calculated using current market rates. Each 1.0 percent increase in the interest rate would have increased interest expense by $0.6 million assuming the $64.2 million was drawn for the entire fiscal 2008 period.

20. Subsequent Event

On January 13, 2009, the Fund announced its intention to convert from an income trust to a growth-orientated corporation (the "Conversion"). The Board, based on its review, unanimously approved the proposed Conversion. The Board concluded that the Conversion is in the best interests of Mullen and its holders of Trust Units and the holders of MCLP Class B Units (collectively, "Securityholders") and unanimously recommended that Securityholders vote their Mullen Trust Units and MCLP Class B Units in favour of the Conversion. The Securityholders will receive one common share of a newly formed corporation ("New Mullen") for each Mullen Trust Unit or MCLP Class B Unit. The final result of the Conversion will be that New Mullen will have approximately 80.6 million issued and outstanding common shares. The Conversion is subject to receipt of all required approvals, including court, stock exchange, regulatory and bank and approval by at least 66⅔ percent of the votes cast by Securityholders of Mullen, voting together as a single class.

A management proxy circular will be mailed to Securityholders in late March in connection with the Conversion and other matters to be considered at an annual and special meeting of the Fund to be held in late April 2009. The Fund expects, subject to receipt of required approvals, that the Conversion will be effective by May 1, 2009.

CORPORATE INFORMATION

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Murray K. Mullen
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Alan D. Archibald[(1), (2)]
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Greg Bay[(1), (2)]
Director

Steven C. Grant[(1), (2)]
Director

Dennis J. Hoffman, CA[(1), (2)]
Director

Stephen H. Lockwood, Q.C.
President, Co-Chief Executive Officer and Director

Richard Peterson
Director

Patrick Powell
Director

Bruce W. Simpson[(1), (2)]
Director

David E. Olson
Vice President, Finance and Chief Financial Officer

Bruce W. Mullen
Senior Vice President

Roberta A. Wheatcroft
Corporate Secretary

(1) Member of the Audit Committee
(2) Member of the Compensation, Nomination and Governance Committee

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